***United States Court of Appeals***

***for the Second Circuit***

# JOINT APPENDIX

# 76-7428

In The

## United States Court of Appeals

For The Second Circuit

HOWARD C. HIRSCH, PAUL L. KOHNS and MARSHALL S. MUNDHEIM,

*Plaintiffs-Appellants,*

-against-

EDMOND duPONT, WALLACE C. LATOUR, MILTON A. SPEICHER, FRANCIS I. duPONT & CO., F.I. duPONT GLORE FORGAN & CO. and duPONT GLORE FORGAN INCORPORATED,

*Defendants,*

(Continued on Reverse)

UNITED STATES COURT OF APPEALS
FILED
NOV 19 1976
A. DANIEL FUSARO, CLERK
SECOND CIRCUIT

**JOINT APPENDIX**

**Volume III, 641a - 960a**

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and

HASKINS & SELLS and THE NEW YORK STOCK EXCHANGE, INC.,

*Defendants-Appellees.*

*On Appeal from an Order of the United States District Court for the Southern District of New York.*

PAGINATION AS IN ORIGINAL COPY

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5/31/70

641a

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| | CURRENT MO. | Y.T.D. | |
|---|---|---|---|
| OFF. TOTAL FIRM | | | |
| SERVICE DPT SALRY | 3,933 | 22,855 | |
| CLERICAL&ADMIN SALRY | 370,243 | 1,720,319 | |
| PARTNERS SALARIES | 28,719 | 142,815 | |
| OVERTIME | 27,436 | 108,805 | |
| MEALS | 737 | 7,830 | |
| BONUSES | 3,496 | 23,431 | |
| PROFIT SHARING | 1,000 | 20,900 | |
| PAYROLL TAXES | 36,587 | 159,463 | |
| GROUP LIFE INSUR | 12,362 | 27,019 | |
| MAJOR MEDICAL | 2,412 | 15,001 | |
| COMMUNICATION SERVICE | 17,056 | 132,216 | |
| LEASED WIRES | | 2,443 | |
| TELE EXCESS CALLS | 7,267 | 44,515 | |
| TELL SERVICES | 26,213 | 148,920 | |
| EQUIP RENTAL | 19,655 | 112,233 | |
| TELETYPE RENT&SERV | 17,129 | 95,675 | |
| TELEGRAPH | 5 | 2,297 | |
| CABLES | 10,511 | 63,262 | |
| TICKERS&PROJECTORS | 19,964 | 94,075 | |
| TELEREGISTER | 2,109 | 4,584 | |
| POSTAGE | 23,389 | 118,457 | |
| ADVERTISING | 13,421 | 86,671 | |
| SUBS & SERV PUB | 6,385 | 68,501 | |
| STAT PRINT&SUPPLY | 21,509 | 104,360 | |
| FICATAX XPAYROLL | 4,841 | 13,294 | |
| INSURANCE MAIL | 702 | 2,674 | |
| INSURANCE GENRL | 7,813 | 41,864 | |
| DEPRECIATION&AMORT | 15,984 | 78,901 | |
| EQUIPMENT RENTAL | 45,576 | 207,715 | |
| PROFESSIONAL FEES | 45,250 | 130,509 | |
| RENT | 52,049 | 252,845 | |
| ELECTRICITY | 5,975 | 27,907 | |
| EXCH DUES & ASSESS | 309 CR | 5,658 | |
| ASSOC & CLUB DUES | 137 | 5,541 | |
| CLEARING HOUSE CHG | 7,924 | 33,608 | |
| ENTERTAINMENT | 10,056 | 49,145 | |
| TRAVELLING | 7,535 | 29,644 | |
| BAD DEBT | | 8,821 | |
| ERRORS | 9,958 | 45,858 | |
| CONTRIBUTIONS | 45 | 45 | |
| OFF PAINT & REPAIR | 4,634 | 45,130 | |
| OTH. OPERATING EXP | 47,934 | 264,615 | |
| PS RETIRE PLAN PAY | | | |
| NYS BANKING BUS. TAX | | | |
| NYC GROSS REC TAX | | | |
| OTHER INCOME TAXES | | 26 | |
| OTHNON-OPER DEDUCT | | | |
| EXCH. SLAT PROFIT | | | |
| FOREIGN EXCHANGE | | | |
| PROVISION BAD DEBT | | | |
| TOT. CONSTANT EXP. | 939,637 | 4,608,465 | * |
| INT PD GENRL CAP. | 19,344 | 84,974 | |
| INT PD SPEC CAP. | 20,546 | 104,234 | |
| MAIN OFF EXP ALLOC | | | |
| PRICE FIRM PROFIT | | 50,861 CR | |
| TOTAL PROFIT -OR- | 525,077 | 973,667 | * |

BEST COPY AVAILABLE

| PRODUCTION UNITS | GROSS INCOME | VARIABLE EXPENSE CONTRIBUTION | | COMMISSION EXPENSE | CONTRIBUTION MARGIN | | EMPLOYEE COMPENSATION AND BENEFITS | |
|---|---|---|---|---|---|---|---|---|
| | | AMOUNT | PERCENT | | AMOUNT | PERCENT | | |
| 26 BROAD STREET - MAIN FLOOR | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 120 BROADWAY | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 100 SEVENTH AVENUE | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1633 BROADWAY - 32ND FLOOR | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 30 HOOT GIBSON STREET | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 11 EAST 43RD STREET | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BALTIMORE | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BOSTON | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CHICAGO | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DALLAS | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FORT PIERCE | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LAKEWORTH | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LOS ANGELES | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NAPLES | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NEWARK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| PALM BEACH | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ROSLYN | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| WASHINGTON | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| WESTCHEST | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BUENOS AIRES | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GENEVA - HIRSCH & CO. S.A. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LONDON | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| PARIS | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| VIENNA | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| INSTITUTIONAL SALES & RESEARCH | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CORPORATE Market Desk | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GENERAL INCOME | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NEW SOLID DESK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FOREIGN DEPT. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| PUT & CALL DEPT. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CORPORATE FINANCE | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DOMESTIC TRADING | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CORP. BOND & STOCK UNDERWRITING | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| MUNICIPAL BOND TRADING | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| COMMODITY DEPT. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| PROXY DEPT. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Voss Securities | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| TOTAL FIRM | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LESS-INTEREST ON CAPITAL | [illegible] | [illegible] | | | [illegible] | | | |
| LESS-ELIMINATIONS | [illegible] | [illegible] | | [illegible] | [illegible] | | | |
| TOTAL FIRM NET | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

642a

NYSE H New York S.E.

643a

Deft. NYSE Ex. H,
pp. 643a - 654a

MEMORANDUM OF PROPOSED AGREEMENT BETWEEN H&CO, AND F.I.D.

SE
Deft. Exh. For ID .....
Rec'd in EV .....
Ruth Cross
Doyle Reporting Inc.
5/8/74

1. General partners of H&Co. who together are entitled to not less than 60% of the profits of H&Co. (and any present limited partners who care to join) will enter into an agreement with F.I.D., the proposed basic terms of which are summarized below.

2. (a) Except as hereinafter otherwise provided general partners of H&Co. who sign the agreement with F.I.D. will become general partners of F.I.D. and contribute approximately $_____ of general capital, of which $15,740 will be through the purchase of 1574 Units at $1,000.00 per Unit and the balance will be additional general capital not represented by Units. Of the Units to be purchased, _____ will be Voting Units and _____ will be Non-Voting Units.

(b) The Units will be purchased for cash, and the additional general capital may be in cash and/or securities of equivalent capital value at the time of contribution.

(c) The new Units to be issued pursuant to this paragraph 2 will participate equally with all other units of general capital in profits and losses of F.I.D., Glore Forgan & Co., except as follows: If the firm realizes a net operating loss during the period commencing on the effective date and ending December 31, 1970, then

(i) the new Units will participate in such loss to the extent of only 20% thereof (that is to say, if the total loss is $1,000,000, the new Units will only participate in $200,000, and if the new Units are 10% of all outstanding Units the new Units' share of such loss would be $20,000), and the balance (including any balance of loss not shared by Glore Forgan Units) will be borne by the owners of the remaining Units which are outstanding during such period, and

(ii) the new Units will not participate in any future profits of the firm until such profits exceed an amount equal to losses which, pursuant to subparagraph (a), were transferred from the holders of the new Units to the holders of the remaining Units.

(d) Interest will be paid at the rate of 5% on the contributed value of Units. Compensation on the additional general

capital will be at the same rate as for limited capital. See paragraph 10 below.

(e) The 1574 Units will be allocated to each of the general partners of H&Co. who becomes a general partner of F.I.D. on the effective date as determined by a committee of the general partners consisting of Paul L. Kohns, Marshall S. Mundheim and Robert J. Fraiman with the approval of F.I.D. If any general partner of H&Co. dies, withdraws or is excluded within 18 months after the effective date, his Units shall be allocated to and purchased (at $1,000.00 per Unit) by one or more of the remaining former members of H&Co. as the committee referred to in this paragraph may determine.

3. The following general partners of H&Co. who will become general partners of F.I.D., will also become limited partners of F.I.D. in the following amounts:

| | |
|---|---|
| Paul L. Kohns | $ |
| Marshall S. Mundheim | $ |
| (Others) | |

4. The following general partners of H&Co. will retire as general partners and become limited partners of F.I.D. in the following amounts:

| | |
|---|---|
| Howard C. Hirsch | $400,000 |

Others:

5. The following general partners of H&Co. will become special partners of F.I.D.:

6. The following general partners of Hirsch & Co. will not become partners (general, limited or special) of F.I.D. on the effective date:

7. The minimum number of Units (at $1,000.00 per Unit) which may be acquired by any general partner of H&Co. who may become a general partner of F.I.D. is 20. Any one of the following general partners of H&Co. may become a Special Partner of F.I.D. if he does not acquire 20 Units:

Charles M. Hale
Max Bosshard
William B. Bright

8. The following limited partners of (or subordinated lenders to) H & Co. will become limited partners of (or subordinated lenders to) F.I.D. in the following amounts:

9. Except as otherwise provided the senior partners of H. & Co. will use their best efforts to cause as much as possible of the present capital of H & Co. (general, limited and subordinated, but excluding personal account securities of general partners) to be transferred to F.I.D. The total of such transferred capital (and any new subordinated loan capital) shall be $4,000,000, as a minimum.

10. Compensation will be paid on limited and subordinated cash capital at the New York broker's loan rate plus 2 1/2% but not less than 6% per year. Compensation will be paid on security capital at the rate of 5% of the capital value.

11. Howard Hirsch, Paul L. Kohns and Marshall S. Mundheim will receive additional compensation on their limited capital equal to 2% of the profits of F.I.D. The agreement will contain provisions by which the right to such additional compensation may, in the event of the withdrawal of limited capital on which such compensation is paid, be transferred to certain present partners of H & Co., to be named, not to exceed a total of seven, (including Messrs. Hirsch, Kohns and Mundheim) who are then general or limited partners in F.I.D., and protection against loss of the right to additional compensation by forced withdrawal of such capital. This right of transfer shall continue only so long as the total of general and limited capital of present H & Co. partners in F.I.D. is at least $336,000 (based on the present cost price per Unit of $1,000; if the future cost price Unit increases, the

$336,000 shall be proportionately increased). If F.I.D. becomes incorporated, any such person who is entitled to receive a percentage of the profits as compensation may subscribe to common stock on the same basis as general partners. Such right to subscribe shall continue until the shares of F.I.D. became public. If the right to subscribe is exercised at any time after the initial subscription by general partners, then the purchase price shall be the book value of such shares at the time of exercise. A persons right to such compensation shall continue after incorporation and shall terminate when he exercises his option to purchase stock but not later than when the shares of F.I.D. become public.

12. Any general or limited partner of H & Co. who becomes a general or limited partner of F.I.D. may withdraw as such partner as of December 31, 1970 upon not less than 10 days notice. Payment of the withdrawing general or limited partner's interest shall be made within [illegible] months thereafter as provided in the F.I.D. partnership agreement. After December 31, 1970 the usual provisions of the F.I.D. partnership agreement with respect to notice of withdrawal shall govern.

13. The General Partners of H & Co. who become general partners of F.I.D. other than Paul Kohns and Marshall S. Mundheim will receive salaries as follows:

| Name | Salary |
|---|---|
| Gilbert F. Bach | |
| Simon Brett | |
| Max Bosshard | |
| William B. Bright | |
| Robert J. Fraiman | |
| Randolph Guggenheimer, Jr. | |
| Charles M. Hale | |
| Clifford A. Hollander | |
| Seymour Katzenstein | |
| Jane R. Larkin | |
| Edgar Mitchell | |
| Louis A. Mollard | |
| Edward A. Morgan, III | |

Daniel T. Pierce
Guido Silafani
Myron Simons
Marshall Spector
Thomas L. Weil

The following General Partners of H & Co. who do not become general partners of F.I.D., but become limited or special partners, will receive such compensation for production as F.I.D. customarily pays to others similarly situated (in addition to compensation on their capital):

14. Howard Hirsch will receive retirement pay of $25,000 per year for life and an office and secretarial service. Paul L. Kohns and Marshall S. Mundheim will each receive a salary of $36,000 per year so long as each remains a general partner and retirement pay thereafter at the rate of $25,000 per year for life.

15. General partners of H & Co. who together are entitled to not less than 60% of the profits of H & Co. will consent to the dissolution of H & Co. on the Closing Date and designate from among themselves a Liquidating Committee.

16. The Liquidating Committee will transfer all of the assets of H & Co. (with certain exceptions hereafter stated) to F.I.D., and F.I.D. will assume all of the liabilities of H & Co. except that the liabilities so assumed by F.I.D. shall not include any liability which occurred before the effective date, which is claimed on or before 12/31/71, and which singly ex-

ceeds $25,000 per item or per customer and was not reflected or referred to as a liability or reserved for in the H & Co. accounts reflected in the Haskins & Sells audit referred to below. Similarly, F.I.D. will pay to the Liquidating Committee any asset or claim which is ascertained or asserted on or before 12/31/71 and which singly exceeds $25,000 per item or per customer which was not reflected or referred to as an asset or claim in the Haskins & Sells audit of H & Co. H & Co. will receive from F.I.D. or retain sufficient cash to cover amounts to be paid to limited partners, subordinated lenders, etc. (See 17 below).

17. The value of the assets and the amount of the liabilities transferred to F.I.D. will be determined for purposes of the agreement as hereinafter provided. The excess of the value of such assets over liabilities will promptly be paid by F.I.D. in accordance with instructions from the Liquidating Committee. It is contemplated that the instructions will be along the following lines:

(a) First: (if not previously retained)

(i) Pay the limited partners and subordinated lenders of H & Co. who do not become general or limited partners of or subordinated lenders to F.I.D. their respectvie capital contributions and subordinated loans in cash; and

(ii) Pay the remaining limited partners and subordinated lenders their respective capital contributions and subordinated loans by retaining the appropriate amounts which are to be general or limited capital in or subordinated loans to F.I.D. and by paying over the balance if any, in each case, in cash.

(b) Pay the general partners of H & Co. who do not become general or limited partners of F.I.D. the amount of their respective capital accounts.

(c) Pay the remaining general partners of H & Co. their respective capital accounts by retaining the appropriate amounts which are to be general or limited capital and by paying over the balance if any, in each case, in cash.

18. Except as hereafter stated the value of the assets and the amount of the liabilities will be determined by Haskins and Sells on the basis of the Financial Statements as of 5/ /70 brought down to the effective date, in accordance with prior accounting procedures. The amounts so fixed shall not be subject to revision or readjustment for any reason, including recoveries, losses, expenses, liabilities or audit, on account of transactions or events before or after the effective date.

19. (See next page.)

19. The following special rules shall govern the determination of the value of assets, the amount of the liabilities, and the conditions of transfer:

(a) Subject to (b) below, the shares of H&Co. Inc. shall be valued at the book value of that corporation.

(b) All securities held by H&Co. or by H&Co. Inc. shall be valued at market.

(c) To the extent lawful, the transfer shall include (without payment of compensation therefor) all, but not part, of all continuing leases and of the accounts of customers of H&Co. H&Co.'s subordinated accounts need not be transferred to F.I.D.

(d) F.I.D. shall take over all customer's accounts and at the same time enter into an agreement with the former Hirsch partners by which F.I.D. will assume all the liabilities and responsibilities under H&Co.'s leases and in connection with the customer accounts, and other contracts and obligations, and hold the former Hirsch partners harmless against any liability thereunder.

(e) F.I.D. shall receive the possession, ownership and control of the books and records of H&Co. without any payment therefor.

(f) F.I.D. will receive the possession, ownership and control of the fixtures and furniture of H&Co. for the amount at which such fixtures are taken on the books of the partnership after taking the usual depreciation to the date of H&Co.'s termination.

(g) F.I.D. will receive the firm name of H&Co. and the good will of that partnership without payment therefor, but subject to agreement as to the manner in which the name H&Co. will be used.

(h) If Hirsch & Co. SA is liquidated, the assets and liabilities of that corporation, to the

extent contributed and transferred to H&Co. will be included in the assets and liabilities transferred to F.I.D.

(i) A separate employment agreement will be entered into with Thomas A. Weil. Any employment contracts entered into by H&Co., H&Co. Inc. or H&Co.SA will be assumed by F.I.D. Other personnel of H&Co. will be employed by F.I.D. as it may determine is necessary to conduct the combined business.

20. The following assets of H&Co. will not be transferred:

(a) The shares of Wall Street Information Services, Inc.

(b) Memberships in securities and commodity exchanges which will be "sold" (except for memberships personally owned), but the cash proceeds (reduced by the related income taxes and expenses of H&Co. and its partners as determined by Haskins & Sells) will be part of the total assets of H&Co. to be transferred to F.I.D. However, if the personnel situation makes it advisable for a F.I.D. seat to be sold rather than a H&Co. seat, then this procedure will be followed and the unsold seat will be transferred to F.I.D. at the same value as the sales price of the F.I.D. seat.

(c) Other assets, as follows:

(d) Consideration received from F.I.D.

21. None of the partners of H&Co. will share any profits, recoveries, liabilities or losses arising out of F.I.D. transactions which occurred before they became partners of F.I.D. Any profits, recoveries, liabilities or losses arising out of H&Co. transactions will be shares by all partners of

F.I.D. (including those who are former Hirsch partners) in accordance with their respective interests in the losses or profits of F.I.D. except as provided in paragraph 16.

22. The partners of H&Co. who become general, limited or special partners of F.I.D. will use their best efforts to bring all the business of H&Co. to F.I.D. and will receive the full cooperation and help of F.I.D. partners.

23. The general partners of H&Co. who become general partners of F.I.D. will acquire their respective proportionate interests in F.I.D.'s subsidiary corporations. It is estimated that this will involve approximately $250,000 out of the minimum total $4,000,000 of capital contribution referred to above. H&Co. has been informed that the earned surpluses of these corporations are presently between $2,000,000 and $3,000,000.

24. F.I.D. will assume all costs relating to the transfer and assumption of assets and liabilities including the cost of transferring customer accounts and the cost of liquidating any assets, equipment, leases, etc. not required by F.I.D.,(including any liabilities or claims resulting from the failure to obtain consents of customers to the transfers of their accounts, margin or otherwise, to an omnibus account and/or to F.I.D.), but H&Co. will be responsible for the costs applicable to the dissolution of H&Co. Each party will otherwise pay its own accounting and legal expenses.

25. (a) Messrs. Kohns, Mundheim, Fraiman & Katzenstein will join the Board of Directing Partners of F.I.D.

(b) Messrs. Kohns and Mundheim will be named Senior Parners of F.I.D.

(c) Mr. Kohns will be appointed to the Finance Committee of F.I.D. at least to the end of 1971, but he may resign sooner.

(d) Mr. Fraiman will be appointed to the office of the Managing Parnter for a period of 3 years (coterminous

with his office as a Governor of the N.Y. Stock Exchange) but he may resign sooner.

26. This "merger" of F.I.D. and H&Co. is conditioned on the prior or simultaneous closing of the "merger" of F.I.D. and Glore Forgan.

27. In view of the possible damage to H&Co. from premature public disclosure, there will be no press release or other public notice concerning this matter until the content of such release shall be approved by H&Co. and F.I.D.

* * *

This memorandum does not constitute or evidence a binding agreement but is merely for the guidance of the parties and their counsel, and neither party shall be legally bound until a formal agreement is signed by both parties.

Wallace Easton

Francis I. duPont & Co.

June 8/70

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F.I. duPONT, GLORE FORGAN & CO.
MEMBERS PRINCIPAL SECURITY AND COMMODITY EXCHANGES

655a

ONE WALL STREET, NEW YORK, N.Y. 10005
TELEPHONE: (212) 344-2000

July 23, 1970

Mr. Fred J. Stock, Jr.
New York Stock Exchange
Department of Member Firms
4 New York Plaza
New York, New York 10004

SE AA
Deft. Exh. For ID .....
~~Pl. Exh. For EV~~ .....
Ruth Cross
Doyle Reporting Inc.
5/9/74

Dear Mr. Stock:

Your letter to Mr. Edmond duPont under the date of July 10, 1970 was read to us at our regular meeting yesterday, July 22, 1970. We as the members of the Finance Committee of F. I. duPont, Glore Forgan & Co. agree with the suggestions contained therein and will make every effort to secure additional capital in an amount at least equal to any operating loss within 30 days of the determination of such loss.

Yours Sincerely,

Edmond duPont

John W. Allyn

Archie E. Albright

Charles J. Hodge

Paul Kohns

Wallace C. Latour

Marshall S. Mundheim

Milton A. Speicher

Gough W. Thompson, Jr.

NYSE EX. L 5/9/74 IDENTIFICATION

SEC
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EV
Faith Gross
Doyle Reporting Inc.
5/9/74

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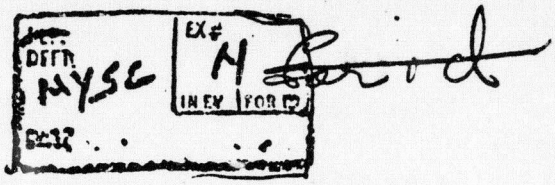




THIS AGREEMENT made this 14th day of December, 1970 between E. I. duPONT, GLORE FORGAN & CO., a New York Limited Partnership ("DGF"), and the undersigned former partners of and subordinated lenders to (collectively "the Hirsch Partners"), Hirsch & Co. ("Hirsch"), witnesseth:

WHEREAS, DGF and the Hirsch Partners entered into a certain agreement on July 2, 1970 ("the Hirsch-DGF Agreement") pursuant to which DGF purchased the assets and business of Hirsch and among other agreements and provisions, assumed certain of its liabilities as therein specified, and granted certain rights and benefits to the Hirsch Partners also as therein specified; and

WHEREAS, one of the rights and benefits so granted, among others, was the right to retire as partners and to withdraw capital and subordinated loans from DGF on January 2, 1971, provided that such notice of retirement and withdrawal be given not later than December 21, 1970, and the satisfaction of other conditions; and

WHEREAS, DGF and PIMI Corporation, a District of Columbia Corporation ("PIMI") have entered into certain contracts and other agreements in implementation thereof, including a Summary Agreement ("SA"), Detailed Contract Provisions (DCP") and an Addendum; and

WHEREAS, certain of the Hirsch Partners have heretofore given DGF written notice of their intention to withdraw capital and/or subordinated indebtedness from DGF and other Hirsch partners have orally indicated to DGF their intention to give such written notices; and

WHEREAS, DGF and PHM desire that no such withdrawals be made from DGF's capital or subordinated indebtedness, and the Hirsch Partners desire that the SA, the DCP and the Addendum be effectuated:

NOW THEREFORE, in consideration of the promises and covenants herein contained, and the rights and benefits herein granted, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the several parties hereto agree as follows, including any amendment of the Hirsch-DGF Agreement to the extent necessary to accomplish the following:

1. All of the existing DGF general, special and limited partner capital of the Hirsch Partners who are now general partners of DGF except Mr. Marshall Mundheim and at least 75% of the existing DGF limited and special partner capital and at least 75% of the loans and subordinated accounts of the Hirsch Partners who are not general partners of DGF and at least 75% of the general, and limited partner capital of Mr. Mundheim

which it is agreed is $675,000 less any losses hereafter posted to that account shall be exchanged for and replaced by subordinated accounts or subordinated loans (hereinafter collectively referred to as "Subordinated Indebtedness") bearing interest at the rate for cash or securities as provided with respect to subordinated loans and accounts in Paragraph 6(b) of the Hirsch-DGF Agreement and containing such other provisions as are usual in such agreements, except as elsewhere herein provided. The retirement of the Hirsch Partners as general, special and/or limited partners of DGF shall become effective on December 31, 1970 and the exchange or replacement of such general, special and limited partner capital and subordinated loans or accounts for or by such Subordinated Indebtedness shall become effective on January 2, 1971. The Subordinated Indebtedness shall be in cash or securities as now constituting said capital or loans and accounts. The Subordinated Indebtedness shall have a maturity date (subject

to earlier or later maturities as hereinafter specified) of 18 months (which shall include any required advance notice period) from January 2, 1971, and shall be payable at such time even though the SA Item 1 account has not then matured, shall further provide that in the event of the death of any owner of Subordinated Indebtedness, that indebtedness shall be repaid in accordance with the provisions which covered that contingency with respect to Hirsch general partners' capital under the Hirsch Partnership Agreement in effect prior to the Hirsch merger with DGF. Mr. Paul Kohns shall be entitled to withdraw 25% of his Subordinated Indebtedness on July 2, 1971. The owners of Subordinated Indebtedness shall have the right to substitute cash or similar quality securities for securities in any such loan or account at any time during the continuation thereof, and to substitute municipal or government bonds for cash.

2. The Subordinated Indebtedness shall be junior in priority to the SA Item 1 account and any other loans or accounts which are or may be in [illegible] that account under the provisions of

the SA, the DCP, the Addendum or this Agreement. In the event the SA Item 1 account shall be indefault at the maturity date of the Subordinated Indebtedness, that fact shall not affect the maturity date of the Subordinated Indebtedness or the right of the owners thereof to payment, but any such right shall be junior in priority to the right of payment of PIEM.

3. In the event that at anytime during the continuation of the Subordinated Indebtedness , DGF or the new corporation shall choose to allow any existing or future subordinated lender other than a Hirsch Partner to withdraw any cash or securities from any loan or account that such lender has with DGF or the new corporation, 10 days prior thereto notice thereof shall be given by DGF or the new corporation to the Hirsch Liquidating Committee ("HLC") and the Hirsch Partners in the aggregate shall be entitled, prior to such withdrawals, to withdraw pro rata from their Subordinated Indebtedness the same amount on the same terms and conditions

regardless of the maturity date specified above; provided, however, that with respect to any such withdrawal by Hirsch Partners, first priority to make such withdrawal up to the amount of the permitted withdrawal shall be given pro rata to those Hirsch Partners who are presently only limited and special partners of DGF or are presently only subordinated account owners or subordinated lenders at this time. This privilege of prior withdrawal of Subordinated Indebtedness in the event permission is given for the withdrawal from DGF or the corporation of other subordinated loans or accounts shall not apply with respect to any withdrawals of existing subordinated loans or accounts pursuant to notice of withdrawal heretofore received by DGF or hereinafter received with respect to any existing loans or accounts.

4. No other general, special or limited partner in DGF, or stockholder or lender to the new corporation shall be permitted to transfer his capital or indebtedness to subordinated debt status until July 3, 1972, if such [illegible] shall be superior to or rank on a parity with the Hirsch Subordinated Indebtedness

5. DGF warrants that the schedule of withdrawals and notices of withdrawal of partners' capital and subordinated debt, attached hereto, constitutes all withdrawals and notices of withdrawal of partners' capital and subordinated debt of DGF pursuant to notices of withdrawal received from March 1, 1970, up to the date hereof. Prior to the maturity date of the Hirsch Partners' Subordinated Indebtedness, withdrawals of general or limited capital other than those listed may be permitted by PHM at its sole election, but only if the aggregate amount thereof shall be less than One Million One Hundred Thousand Dollars ($1,100,000.00).

6. The corporation to be formed will assume all of the liabilities, assumptions, indemnifications and other agreements and provisions to be performed by DGF under the Hirsch-DGF Agreement including the assumption of the payment of $25,000 per annum for life to be made to Messrs. Hirsch, Kohns and Mundheim and the furnishing of an office and secretarial services to Mr. Hirsch; provided, however, that the new

corporation need not assume any such Hirsch liabilities, assumptions, indemnifications and other agreements, contingent or otherwise, if reasonable arrangements are made, satisfactory to the HLC (and satisfactory to Mr. Hirsch with respect to the payments to be made and the office and services to be furnished to Mr. Hirsch) for the discharge of any such liabilities by DGF when the new corporation assumes its business and assets and further provided, that with respect to the liabilities excluded by Paragraph 3 (b) (ii) (a) of the Hirsch-DGF Agreement, the phrase in such Paragraph 3 (b) (ii) (a) "which is asserted on or before December 31, 1971, and "shall be deemed omitted insofar as the new corporation is concerned, and the liabilities attendent on that phrase, if any, shall not be assumed, and no assets need be specifically reserved for such attendant liabilities by DGF, but DGF shall nevertheless remain liable for such attendant liabilities. Nothing herein contained shall be deemed to allow or authorize the new corporation not to assume or make reasonable and satisfactory arrangements for the [illegible] relating to the

Revenue Properties Ltd. stock irrespective of the dollar amount thereof.

7. Commencing January 1, 1971, Mr. Paul Kohns will be employed by DGF or the new corporation, if formed, at a salary of $36,000 per annum for a period of 1½ years or until more than 25% of his Subordinated Indebtedness is withdrawn, whichever is sooner. For the same period, Mr. Marshall Mundheim will be engaged by DGF or the new corporation, if formed, as part-time consultant at a salary of $30,000 per annum. The payment to Mr. Mundheim of $25,000 a year of retirement benefits as provided in the DGF-Hirsch Agreement shall commence on January 1, 1971.

8. If, after opening the SA Item 1 account, PIDM shall withdraw any part thereof prior to the formation of the new corporation, the maturity date of the Hirsch Partners' Subordinated Indebtedness shall accelerate to the date of such withdrawal (but without prejudice to the rights granted under Paragraph 10 if the Hirsch Partners named therein return all withdrawn funds within one week thereafter). This right shall not vary the

priorities of the SA Item 1 account and the Subordinated Indebtedness. The maturity date of the Subordinated Indebtedness shall also be accelerated, if prior to incorporation, the limited and general partner capital and the indebtedness of DGF subordinate to the Hirsch Partners' Subordinated Indebtedness, as adjusted to reflect the results of DGF's operations, falls below or as a result of withdrawal notices received would fall below 8.5 million dollars. Commencing May 15, 1971, and on the 15th day of each month thereafter, prior to the formation of the new corporation, PHM shall notify the Hirsch Partners, by sending notice to the HLC, whether the aggregate limited, general and the subordinate capital referred to above is present.

9. Upon the formation of the corporation, the Hirsch Partners' Subordinated Indebtedness shall continue as a subordinated indebtedness of the new corporation with no change in the provisions thereof.

10. Commencing with the formation of the new corporation and continuing until such time as there may a public offering of that corporation's capital stock (which

25 persons other than then existing stockholders), Messrs. Hirsch, Kohns and Mundheim are hereby granted the option to purchase, in the aggregate, 2½% of the DGF general partners' equity in the new corporation (but in no event less than 1% of the total capital stock of the new corporation issued and out - standing after the initial offering) at the lowest price paid by existing DGF general partners for such stock at the time of the formation of the corporation, but adjusted, (if the option is exercised after incorporation) to reflect increases or decreases in the book value of shares of capital stock resulting from operations of the business from the date of incorporation to the date the option is exercised; provided however, in order to exercise such option they shall have continued to maintain their Subordinated Indebtedness with DGF or the new corporation in the full amount of their Subordinated Indebtedness in DGF on January 2, 1971, (except for the 25% withdrawal permitted to Mr. Kohns on July 2, 1971), until July 2, 1972, and shall maintain Subordinated Indebtedness with an aggregate net capital value of at least $380,000 until January 2, 1974. If the option is then still in effect

they may withdraw their Subordinated Indebtedness without prejudice to the option. The Subordinated Indebtedness payable to Messrs. Hirsch, Kohns and Mundheim may be extended by them or their estates at their option, in order to protect their option. The option may be assigned, but only if PHM or the corporation shall have given written approval thereof. PHM approves any assignment to Messrs. Hirsch, Kohns and Mundheim or their estates or testementary trusts. In the event of the death of any of the Hirsch Partners referred to in this Paragraph or the withdrawal of his share of the Subordinated Indebtedness as from time to time required, the other Hirsch Partners named herein may replace the required Subordinated Indebtedness and thereby acquire his share of the option. Should they not do so, PHM will have an option to pay to his estate the amount of his then existing Subordinated Indebtedness or replace his share of the Subordinated Indebtedness and shall thereby be entitled to an assignment of the deceased's Subordinated Indebtedness and a pro rata portion of the option. Any

existing rights of the named individuals or other Hirsch Partners under the Hirsch-DGF Agreement as to sharing in the profits of DGF, shall terminate at such time as the existing general, limited or special partner capital of the Hirsch Partners is exchanged for or replaced by Subordinated Indebtedness.

11. Nothing in the SA, DCP or the Addendum or this Agreement, nor any assumption or provision by the new corporation, shall be deemed to relieve DGF of its obligations to Hirsch and the former Hirsch Partners under the Hirsch-DGF Agreement (including liabilities assumed by DGF under the phrase quoted in Paragraph 6 hereof) provided, however, that the new corporation shall be responsible for only such liabilities and undertakings as are expressly referred to herein.

12. Nothing herein contained shall be deemed to relieve DGF of any warranties contained in the SA, or the DCP with respect to net worth or Rule 325 capital or any other obligations of DGF partners other than the Hirsch Partners.

13. Notwithstanding their signing of this Agreement, the Hirsch Partners shall not be required to take any action pursuant to this Agreement, nor shall their signatures hereon be deemed a withdrawal of any notice of withdrawal of capital heretofore or hereafter sent to DGF, in the event that PHM does not open a subordinated account with DGF in the amount of $10 million dollars by December 20, 1970 pursuant to the provisions of the SA, the DCP and the Addendum. PHM shall certify to the HLC that such account has been opened on the date such action is taken. Moreover, notwithstanding their signing of this Agreement, the Hirsch Partners shall not be required to take any action pursuant hereto nor shall their signatures hereon be deemed a waiver of withdrawal of capital heretofore or hereafter sent to DGF, unless this Agreement and the SA, the DCP and the Addendum shall be approved by the New York Stock Exchange on or before December 20, 1970. By granting such approval the New York Stock Exchange shall thereby consent to the withdrawal on January 2, 1971

of up to 25% of the DGF limited and special partner capital and loans and subordinated accounts of the Hirsch Partners who are not general partners of DGF and 25% of Mr. Mundheim's general, special and limited partner capital.

14. Nothing herein contained shall affect any notice heretofore or hereafter sent by a Hirsch Partner to DGF of his retirement as a partner of DGF.

15. DGF shall on January 2, 1971 file an appropriate certificate with the New York County Clerk's office, and shall advertise and notify the New York Stock Exchange to reflect the withdrawal of the Hirsch Partners as general and/or special and/or limited partners of DGF. DGF shall notify the HLC when the preceeding steps have been completed. In the event DGF fails to comply with the provisions of this Paragraph, the affected Hirsch Partners shall be entitled to such equitable relief by way of specific performance or otherwise as may be just in the circumstances, but no other provisions of this Agreement shall be considered void or voidable by virtue thereof.

16. DGF will deliver to PHM prior to December 21, 1970 to be held by PHM, certified checks dated January 2, 1971 representing 25% of the limited and special partner capital and 25% of the subordinated accounts and loans of the Hirsch Partners who sign this agreement other than Hirsch Partners who are DGF General Partners, and $225,000 for Mr. Landheim and PHM will deliver such checks to the HLC on January 2, 1971, if permitted by law to do so. PHM will on or prior to December 21, 1970, certify to the HLC whether it has received the aforesaid checks.

17. With respect to the Hirsch Partners only, all of the provisions of the SA, the DCP and the Addendum are subject to the provisions of this Agreement and where any of the provisions of the SA, the DCP or the Addendum are or should be found to be in conflict with this Agreement, the provisions of this Agreement shall prevail. To the extent that there is no conflict between the SA, the DCP and the Addendum and this Agreement, the provisions of the SA, the DCP and the Addendum shall also bind the Hirsch Partners.

18. [illegible] and Marshall Mandlbaum agree to use their best efforts to cause as many of the former

general, limited and special partners of Hirsch and subordinated lenders to Hirsch who now have capital invested in or subordinated loans or accounts with DGF to consent to this agreement.

19. The SA, the DCP, the Addendum, a letter written by PIMI to Mr. Peter duPont, the Senior Subordinated Account Agreement, various security agreements and this Agreement, constitute all of the agreements, and documents signed and now contemplated to be signed with respect to the transactions therein contemplated, with the exception of certain letters stating PIMI's intention to permit withdrawals of capital from DGF permitted by Paragraph 5 above.

20. The Hirsch Partners, by executing this Agreement hereby constitute and appoint Mr. Paul Kohns or Mr. Marshall Mundheim or any successor appointed by either of them as their attorneys in fact to sign any documents and agreements hereinafter prepared to implement any provisions hereof.

21. The Phrase "and ending as of the close of business on December 31, 1970" and the phrase "during such period" which [illegible] of the schedule entitled

"Division of Profits" which is attached to the Agreement dated July 2, 1970 amending the Articles of Limited Partnership of DGF shall not apply to the Hirsch Partners and shall be deemed omitted insofar as they are concerned.

Witness the following hands and seals on the date first hereinabove written:

F. I. duPONT, GLORE FORGAN & CO.

by _____
General Partner

by _____
General Partner

by _____
General Partner

by _____
General Partner

The HIRSCH PARTNERS

_____ (Limited Partner)

_____

_____

_____

PIIM CORPORATION and the HIRSCH LIQUIDATING COMMITTEE hereby approves all of the provisions of this agreement with respect to Hirsch and the Hirsch Partners and the Hirsch Liquidating Committee.

PIIM CORPORATION

by _____
President

The HIRSCH LIQUIDATING COMMITTEE

by _____

12/15/70

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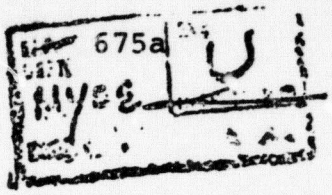
pp. 675a-679a




In evidence

February 7, 1969

Hirsch & Co.
25 Broad Street
New York, New York 10004

Attention: Mr. Paul L. Kohns

Gentlemen:

There is enclosed a copy of a staff memorandum dated February 7, 1969, which we propose to submit to the Advisory Committee of the Board of Governors for its consideration. However, before doing so, we should like to give you an opportunity to comment on the factual accuracy of the memorandum and to provide such further explanation as you feel is appropriate to provide the Committee with a proper understanding of your position. Please submit your comments by February 17, 1969.

Very truly yours,

/s/ Robert M. Bishop

Robert M. Bishop
Vice President

RMB/EDahlberg:tp
Enclosure

2/17

# NEW YORK STOCK EXCHANGE

Department of Member Firms

February 7, 1969

TO: Advisory Committee

FROM: Department of Member Firms

SUBJECT: Hirsch & Co.

## Problem

Did Hirsch & Co. violate Rule 282 by failing to execute mandatory "buy-ins" on contracts not fulfilled within thirty days?

## Background

Effective December 2, 1968, the Board of Governors amended Rule 282 (Exhibit A attached) to require mandatory buy-ins on contracts unfulfilled within thirty days after the due date for delivery. On January 10, 1969, Hirsch & Co. filed their Monthly Fail Report (Form MF-6) as of December 31, 1968. The form showed aggregate fails to receive of NYSE stocks outstanding 30 days or longer of 18 items valued at $154,058. On February 4, Mr. Paul L. Kohns, a general partner sent a letter to the Exchange to which he attached a list of the 18 items and a comment with respect to each item indicating why buy-ins were not sent or if sent why not executed. A copy of the letter as well as the firm's comments with respect to the 18 items are attached hereto (Exhibit B). In connection therewith 1 item valued at $5,600 was indicated as an exempt security. A summary of the disposition of the remaining 17 items valued at $148,458 is shown on Exhibit C attached.

Question

Did Hirsch & Co. violate Rule 282 inasmuch as mandatory buy-ins were either not sent or not executed in accordance with the provisions of such rule?

**Exhibit C**

## Hirsch & Co.

| Settlement Date | Amount | Disposition |
|---|---|---|
| 8/6/68 | $ 2,700 | stock received 1/23/69 |
| 11/4/68 | 18 | bought in 1/14/69 |
| 11/7/68 | 10,086 | "cleaned up on 1/20/69" |
| 11/12/68 | 2,050 | being researched |
| 11/12/68 | 9,112 | "resolved" on 1/31/69 |
| 11/14/68 | 8,270 | stock received 1/17/69 |
| 11/15/68 | 700 | still open |
| 11/18/68 | 235 | stock received on 1/24/ |
| 11/18/68 | 3,835 | bought in on 1/30/69 |
| 11/19/68 | 3,350 | bought in on 1/31/69 |
| 11/21/68 | 2,937 | bought in on 1/30/69 |
| 11/25/68 | 21,500 | stock received on 1/3/6 |
| 11/25/68 | 844 | stock received on 1/14/ |
| 11/27/68 | 52,800 | stock received on 1/29/ |
| 11/27/68 | 23,392 | stock received on 1/31/ |
| 11/29/68 | 6,525 | stock received on 1/20/ |
| 11/29/68 | 104 | stock received on 1/24/ |
| | $148,458 | |

HIRSCH & CO.
MEMBERS NEW YORK STOCK EXCHANGE

NEWARK, N.J.
BALTIMORE, MD.
WASHINGTON, D.C.
MIAMI BEACH, FLA.
PALM BEACH, FLA.
FORT PIERCE, FLA.
LAKE WORTH, FLA.
MELBOURNE, FLA.
ROSSLYN, VA.
CHICAGO, ILL.
BOSTON, MASS.
DALLAS, TEXAS

LONDON
PARIS
GENEVA
AMSTERDAM
BUENOS AIRES
VIENNA

RECEIVED NYSE
CHIEF EXAMINER

25 BROAD STREET, NEW YORK, N.Y. 10004
(212) 422-0600 • CABLE "HIRLICO" NEW YORK

February 17, 1969

BY HAND

New York Stock Exchange
Eleven Wall Street
New York, New York 10005

Attention: Mr. Robert M. Bishop, Vice President

Gentlemen:

We agree with the facts as presented in the memorandum enclosed with your letter of February 7th and know of nothing further we can add, at this time, that would prove useful.

Very truly yours,

Paul L. Kohns

PLK:lc

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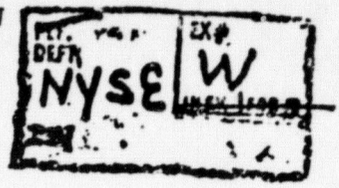
pp. 680a-687a

p. 680a




in evidence

November 26, 1969

Mr. Paul L, Kohns
Hirsch & Co.
25 Broad Street
New York, New York 10004

Dear Mr. Kohns:

Enclosed is the report of our recent inspection of your branch office at 41 East 42nd Street in New York City, by Mr. Carl Ciavolella of our staff, on September 18, 1969.

As you will note, the report indicates the existence of some deficiencies and therefore it is necessary that I ask you for a reply within ten days, outlining the corrective procedures the firm has instituted concerning matters referred to in Items A through C on page 6 of the report, which are concerned with New York Stock Exchange rules. Additionally, we have made several suggestions and these should also receive your careful attention.

If we have made any judgments or drawn any conclusions that are erroneous, you may be assured of our sincere interest in your comments and clarification.

Thank you for your cooperation.

Very truly yours,

ELLIOTT J. PINCUS
MANAGER

Enc.
EJPincus:GC

# HIRSCH & CO.

## 9/18/69

## BRANCH OFFICE: NEW YORK, NEW YORK

**LOCATION:**

This branch office is located on the second floor of 41 East 42nd Street in the midtown district of New York City.

**FACILITIES:**

This office consists of a large boardroom, a glass-enclosed order room, and three glass-enclosed private offices. It is equipped with Trans-Lux presentations of the New York and American Stock Exchange Tapes, a Trans-Lux projection of the Dow-Jones News ticker, a Teletype machine, and two direct lines to the main office at 25 Broad Street.

**PERSONNEL:**

The office is staffed by Mr. Gerald L. Solin, Manager; Mr. Kevin Farley, Assistant Manager; 19 registered representatives; four secretaries (two of whom are registered); an operations supervisor; an order clerk; and a switchboard operator.

**INTERVIEWED:**

Messrs. Gerald L. Solin, Manager, and Mr. Kevin Farley, Assistant Manager, were interviewed.

**SUPERVISION:**

This office is under the supervision of Mr. Seymour Katzenstein, Operations Partner, and Miss Jane Larkin, Compliance Partner, who are located at the main office. Reportedly, Miss Larkin or her assistant visit this office twice a month to conduct a general review.

BACKGROUND:

Mr. Solin estimated that 95% of the office revenue is derived from transactions with the general public. Listed transactions account for 78% of the business, over-the-counter transactions for 15% (100% agency), underwritings 3%, mutual funds 3% and corporate and municipal bonds for the remaining 1%.

This office services approximately 900 accounts with 90% carried on a cash basis. Mr. Solin was unable to estimate how many are considered active. Approximately 25 new accounts are opened per week and 70 orders are executed daily.

Reportedly, Mr. Solin devotes 70% of his time to the supervision and management of this office and 30% to production.

Upon opening a new account, the registered representative is responsible for obtaining and recording all customer information on the firm's three-part new account form. A secretary checks all new accounts against a "high risk" account file. The new account form and the initial order ticket are submitted to the manager for his review and approval. The operations supervisor will assign an account number only after the manager has evidenced his review. As a control, orders will not be accepted by the order room without an account number. Initial orders must be marked "new account". The original new account form is forwarded to the main office for partner approval at the end of the day, a copy is given to the representative for his portfolio record book and a copy is kept in the branch's central file.

The responsibility for acquiring supporting documents has been established at the branch. If the required documents are not received at the main office within one week, a memorandum of missing documentation is sent to the branch. A review of the pending file indicated that 13 accounts were lacking supporting documents and that the oldest was dated September 16, 1969. The firm does not require signature cards or cash agreements in opening a cash account, but will obtain joint agreements where applicable. A random sampling of 160 new account forms revealed that they were completely filled out by the representative, initialed and signed by the manager or assistant manager.

Mr. Solin stated that the representative is responsible for conducting a credit inquiry on any account he opens. A deposit would be required from a call-in or walk-in account prior to placing the first order. If the initial transaction is a sale for an over-the-counter security, the customer is required to deliver the certificate in good delivery form to the branch prior to the order being placed. According to Mr. Solin new customers are advised verbally by the representative of settlement procedures when the account is opened.

Discretionary accounts are discouraged by this firm and, reportedly, there are only two being serviced at this time with trading authorizations on file at the main office. Mr. Solin stated that he reviews and initials any order by the representative in a discretionary account prior to it being entered. He further stated that in order to identify an order in these accounts the representative is required to mark the ticket "P.U. - "Power Used" or "N.U." - "Not Used". Reportedly, the representatives do not exercise discretion in these accounts except in case of an emergency. Periodically the main office sends letters to these customers asking if they still want the power of attorney to remain in effect.

Mr. Frank Mohan, order clerk, stated that all orders are entered through the order room and that oral orders or cancellations are not accepted. Order transmittal is by teletype to the firm's member on the Floor of the Exchange with a copy to the main office order room.

A review of order tickets revealed that listed sell orders are being marked "long" or "short" as required. While a review of "long" sell tickets disclosed that they were not being marked as/when required by New York Stock Exchange Rule 433. In a discussion with the manager he stated that customers who wished to sell securities are questioned to make certain that the security sold is received in by settlement date. However, the representative is not required to mark the tickets accordingly. (See Summary Item A).

Open orders are maintained by the order clerk and filed alphabetically by stock and account number. They are confirmed from the main office in writing on day of entry to the customer with a copy to the representative and reconfirmed quarterly from this office.

Customers' cash and margin records are maintained at the main office. Regulation T calls are sent to the customer by the main office with a copy to the representative.

Mr. Solin stated that securities and/or checks received at this office are forwarded by messenger to the main office twice a day. Certificates and/or monies received late in the day are placed in Mr. Solin's locked desk and the door to his office is also locked. This firm is covered by blanket insurance. (See Suggestions 1 and 2)

According to Mr. Solin, this office maintains a depository checking account at First National City Bank, Lexington Avenue and 42nd Street. Cash deposits are made only in this account and deposits slips are sent to the main office for their records.

Confirmations of trade executions and customers' monthly statements are sent by the main office to the customer. A copy of the monthly statement is forwarded to Mr. Solin who distributes them to the representatives servicing the account.

Mr. Solin stated that the representatives at this office are familiar with the problems inherent in the sale of control stock.

For their review of transactions, Messrs. Solin and Farley examine each days order tickets and P & S blotter. Careful attention is paid during this review of transactions for orders in a registered representative's account or in their family accounts. An examination of these records indicated that this review was being evidenced by Mr. Solin or Mr. Farley initialing the daily P & S blotter.

Mr. Farley stated that distribution of underwritings is determined by past performance of the representatives with consideration also given to the individual accounts expressing an interest in purchasing the new issue. Control of this is easy since small amount of new issues are allocated to this office.

After the periodic review of customers' statements and registered representatives' portfolio books, Mr. Solin and Mr. Farley indicate their review by initialing the supervisory log. An inspection of this log, showed it to contain up-to-date entries evidencing said reviews.

Interviews were held with six of the representatives and it was found that all are maintaining current portfolio records books and cross-index books. It appeared that they are familiar with their customers' background and investment objectives. A review of the books showed that customers purchase mostly listed securities. In only one instance was it found that a representative has discretion in his wife's account and reportedly the trading authorization is on file at the main office.

Outside activities of the representatives are closely supervised and permission in all cases must be obtained from the main office. A log book is kept listing the meetings held by the manager and outside lectures given by registered representatives. Mr. Anthony Correra, registered representative, stated he is giving two courses at St. John's University in "Stock Market Investments" and has been doing this for some time. A copy of the New York Stock Exchange letter granting permission to conduct this course was seen by this inspector.

A change of address form is completed at the branch and forwarded to the main office where a notice is sent to the customer's old address. Upon receipt of this, the customer is to sign the letter and return it to the main office so that the change of address may be effected.

The error account showed a debit balance of $72.27, comulative to date.

Reportedly, outgoing correspondence is reviewed by a manager prior to being mailed and a copy is kept at the branch filed by representative. In a review of several representatives' correspondence it was noted that in some instances manager's review had not been evidenced. (See Item B)

Registered representatives' personal and family accounts are specially coded for easy review by the manager. Mr. Solin stated that employees are not allowed to purchase any firm recommendation until three days after the firmls letter is sent out. A daily commission record is kept for each representative and is check against a month-end commission run from the main office in order to enforce the New York Stock Exchange Rule 348.

A review of the records maintained at this office revealed that a total of 786 extensions were granted during the January to August, 1969 period, a rather high extension ratio of 6.5%. Mr. Solin stated that the extensions are granted by the main office and that a monthly reconciliation is conducted with the branch. (See Item C).

There had been no prepayments granted during the same period.

## SUMMARY

It appears that the supervision and control exercised by this office could be strengthened. In this connection we suggest:

1. That the firm render stock certificates non-negotiable prior to delivery to the main office.

2. That more effective means be found for the safekeeping at the branch of checks and securities which are kept overnight at the office.

In addition, the firm should make certain:

A. That all persons entering "long" sell orders will mark the order tickets when, and as required by the New York Stock Exchange Rule 433.

B. That the manager evidence his review of all correspondence from representatives to customers as required by New York Stock Exchange Rule 342, Supplementary Material.

C. That supervisory responsibility to see that compliance with Regulation T of the Federal Reserve Board is properly exercised. A practice of late payments should alert the firm to exercise corrective action. Requests for extensions of time should only be entertained where "an exceptional circumstance exists" and supported by an approved "bona fide"

reason, otherwise an interpretation that Regulation T was circumvented might be construed. Although the branch maintains records of the total extensions requested for each customer, management is apparently not using these records to make the necessary reviews, in order to identify those customers who are habitually requesting extensions, or those representatives who may not be making sufficient effort to effect prompt settlement. (See Regulation T).

May we please have the firm's advice regarding the disposition of Items A through C.

While reviewing the extension records it was noted that Messrs. Solin and Farley accounted for approximately 20% of the total number of the extensions requested by the branch. Since the manager and assistant manager, respectively, are delegated the authority to supervise and control this area, would the firm outline the over-all supervisory procedures in effect to control extensions for clients of Messrs. Solin and Farley.

Carl X. Ciavolella

ec

NYSE
Deft. Exh. For ID
Plf. Exh. For EV
Ruth Gross
Doyle Reporting Inc.
2/23/74

Deft. NYSE Exh. X
In Evidence

March 17, 1970

Hirsch & Co.
25 Broad Street
New York, New York 10004

Attention: Mr. Paul L. Kahn

Gentlemen:

We have enclosed for your information and review, a copy of the visit report prepared by our examiners, Mr. Edwin J. Cummings and Mr. Allen J. Bonk, under date of February 9, 1970.

Concerning the items on the first two pages, as well as Page 7, regarding the computation of the firm's capital position, we assume the examiner discussed the proper treatments to your satisfaction. We are somewhat surprised with the number of exceptions found in connection with the computation made as of November 30, 1969. You will note the resultant change in the firm's position is one that results in a capital ratio of 1715%, hence we feel we must stress that firm computations be prepared in a careful and accurate manner so that a proper position is disclosed to the principals. It is presumed that the various treatments discussed have been reviewed by your personnel and subsequently taken into account in capital computations prepared since the visit. As subsequent reports have indicated the firm's capital ratio to be below the 1500% guideline, no further comment will be made on this point of the visit report. However, we feel the organization should reflect at this time on this ratio, the vulnerability of a capital violation when such exceeds the suggested

See letter
of 4/25/70 mm

guideline of 1500% and the fact that steps should be maintained to keep the ratio within the safety margins.

Beginning on the bottom of Page 3, indication is made that the firm's computer program did not relate credit balances in cash accounts to debit balances in non-purpose loan accounts, as well as the fact that unlisted stocks were not being priced and consequently remained unsegregated. We understand from the report that this is now being accomplished on a manual basis and we would appreciate if you would advise us at this time as to whether the procedure instituted is being carried out effectively.

On Page 5 and continuing to Page 6, the examiners comment on certain weaknesses disclosed in a test check of the customer documents relative to Rule 405. Would you be good enough to advise us as to whether the missing items have subsequently been obtained by the organization and what steps, if any, have been taken to strengthen the "new account" procedures.

The examiners' report is based on an inspection of your books and records as well as discussions with the firm's appropriate personnel. If in your review you note any point of information or comment that does not appear factual, please let us know. In addition, we invite any other comments you may have regarding the report.

Thanking you for your cooperation, I remain,

Very truly yours,

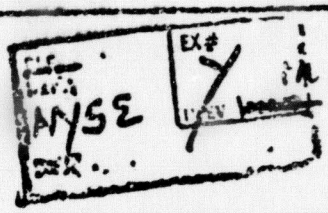
Robert A. Spies
Manager

Enc.

RASpies:kv

NEW YORK STOCK EXCHANGE DEPARTMENT OF MEMBER FIRMS

Deft. Exh. For ID
Deft. Exh. In Ev
Ruth Gross
Doyle Reporting Inc.
5/23/74




February 9, 1970

REPORT ON VISIT TO MESSRS. HIRSCH & CO.

RE: CAPITAL POSITION AS OF NOVEMBER 30, 1969

The firm's computation of its Net Capital as of November 30, 1969 was prepared by Mr. Leo L. Gandley, an employee. Ledger balances and security positions used in the computation were found to be substantially in agreement with the books and records, except for the following items which were inadvertently omitted in the computation:

Aggregate Indebtedness:

Not Included:

| | | |
|---|---|---|
| 1. | Drafts with securities attached deposited for immediate credit. | $1,112,701.61 |
| 2. | Dividends Payable | 346,112.17 |
| | | $1,458,813.78 |

Item Incorrectly Included:

| | | |
|---|---|---|
| 1. | Proceeds from Short Sale of Continental Vending Presently restricted stock | ( 72,629.00) |
| | | $1,386,184.78 |

Received 3/10/70

Advised that it must remain intact

Net Capital:

Not Deducted:

| | | |
|---|---|---|
| 1. | Dividends Receivable over 30 days. | $336,299.85 |
| 2. | Lost Securities in Transfer over 30 days | 41,335.00 |
| 3. | Unsecured Shorts Customers' | 16,000.00 |
| 4. | Customers' Regulated Commodity Accounts liquidating to a deficit | 1,501.00 |
| 5. | Hirsch & Co. Gesellschaft M.B.H. Deficit Capital and Capital Requirement. | 13,541.00 |
| 6. | Adjustments to Hirsch & Co.,Inc. excess net capital - see additional comment later in this report. | 22,884.19 |
| | | $431,561.04 |

After giving effect to the foregoing, the firm's adjusted capital position at November 30, 1969 was as follows:

| | | |
|---|---|---|
| Aggregate Indebtedness | | $58,565,000 |
| Net Capital | | 3,416,000 |
| Ratio | | 1715% |
| Commitments: | | |
| 30% | $3,566,000 | |
| 10 | 1,043,000 | |
| 5 | 1,119,000 | |
| 4 | 737,000 | |
| 3 | 130,000 | |
| 2 | 24,000 | |
| 1 | 65,000 | |
| -0- | 254,000 | $ 6,943,000 |

Ratio: Non-exempts to Excess Net Capital 3.4 to 1

Included in the aforementioned net capital position are subordinated notes representing cash borrowings aggregating $335,000 details of which were reported in the answers to the Special Financial Questionnaire dated November 30, 1969.

Also included in the aforementioned net capital position are substantial equities in general partners' individual accounts as follows:

| Name | Credit Balance | Long Market Value Exempts | Long Market Value Non-exempts |
|---|---|---|---|
| Howard C. Hirsch | $12,095.53 | $55,075.00 | $ 16,152.88 |
| Paul L. Kohns | 9,441.77 | | 547,284.27 |
| Maurice Meyer, Jr. | 509.46 | | 670,719.01 |
| Daniel T. Pierce, Jr. | 509.63 | | 166,237.75 |
| Marshall S. Mandheim | 10,615.97 | | 549,284.26 |
| All Others | 30,650.13 | | 24,981.00 |
| | $64,421.64 | $55,075.00 | $1,974,549.17 |

Capital positions are prepared monthly by various staff accountants in the firm's accounting department and are retained for a least three years. Mr. Alexander Norman, Treasurer of Hirsch & Co., Inc., can also make the necessary computations. Mr. Paul L. Kohns, the general partner primarily responsible for compliance with Rule 325 (Capital Requirements), reviews the computations each month. The firm's calculation of Net Capital as of December 30, 1969, received near the close of the visit, was reviewed and found to be prepared in substantial accord with Rule 325.

The firm utilizes an IBM 1401 computer program in accomplishing the segregation of customer free and excess margin securities. A review of customer accounts disclosed that the computer program did not relate credit balances in cash accounts to debit balances in non-purpose loan accounts. The program would disregard the cash account credit and segregate that portion of the stock exceeding 140% of the debit balance in the non-purpose loan account. In addition, stocks other than those listed on the New York and American Stock Exchanges were not priced and consequently unsegregated. Bonds in most instances were valued at par for margin

and segregation purposes. In the cases where bonds had been valued, instances were found where the prices printed were incorrect, e.g., RCA cv 4 1/2 - 92 per statement at 104 per current Wall St. Journal price at 73.

The foregoing was brought to the attention of Mr. Thomas L. Weil, general partner in charge of operations. Mr. Weil subsequently advised that margin clerks have been instructed to:

1. Segregate manually on a daily basis all customer accounts with a related non-purpose loan account.
2. Segregate manually all securities not valued on margin statements.
3. Disregard prices of bonds as incorrect and value and segregate manually.

A concentration in securities was noted in the following account:

| A/C # | Customer | Ledger Debit | Securities | Price | Market Valuation |
|---|---|---|---|---|---|
| 40-9113-2 | Schenker, P. | $2,349,804 | 200 Comsat | 41 | $ 8,200 |
| | | | 20,000 IBM | 345 | 6,900,000 |

Maintenance on this account exceeded 50% as of January 27, 1970.

The following account appeared initially to be under maintenance by approximately $34,000, the requirement for short versus the box.

| A/C # | Customer | Net Debit | Securities | Mkt. Valuation: Long | Short |
|---|---|---|---|---|---|
| 47-0742-2&5 | Roth, M. | $318 | 100 Fairchild Miller | $1,100 | |
| | | | 6,000 Syntex | 342,000 | |
| | | | 6,000 Syntex | | $342,000 |

The account was brought to the attention of Mr. John Peberley, assistant to the operations' partner, who advised that the long had been delivered against the short precluding any maintenance requirement. He further advised that the firm had received written authorization from the customer to deliver the long to cover the short but the customer had requested that the positions remain open for statement purposes. Furthermore, a stamp was obtained to record on the customer's statement that the long securities had been delivered versus the short position.

A letter signed by the customer dated August 15, 1963 was reviewed and found not to contain authorization to deliver versus the short position. Mr. Peberley subsequently advised that the customer will be required to close out his position or fulfill the maintenance requirement.

A test check of the customer documents relative to Rule 405 disclosed that customer agreements for accounts opened prior to 1955 and new account forms for those opened prior to 1960 were stored at the firm's warehouse to allow space for renovation purposes. Documents for accounts not within these categories are retained on the premises. The following accounts for which customer agreement should have been available for review were not.

| A/C# | Customer |
|---|---|
| 30-6326 | Mendelson, Rosyln, opened June 1955 |
| 36-0076 | Greenwald, Michael and Klara, opened August 1958 |

The new accounts department is primarily responsible for procuring the necessary papers relative to customer accounts. A review of its pending file, i.e., documents not received, disclosed many old items. Documents, such as, Joint Account Agreements, Co-Partnership papers, Corporate Authority to Trade, Powers of Attorney, etc., were not acquired from the customers although the opening of the accounts ranged from 1967 to 1969 with the heaviest concentration in 1969.

Hirsch & Co. Page 1

In discussions with Mr. Weil on February 3rd and 4th relative to this matter, it was learned that he had assumed responsibility in this area approximately four months previous. It was also learned that the firm has adequate procedures in effect for the obtaining of required documents, but these procedures were not being observed because of inadequate follow-through. Mr. Weil advised that he would initiate a more intensive system for the acquiring of the documents including the restricting to liquidations only those customer accounts where the necessary documents have not been received within a reasonable time. In addition, he has requested that the New Accounts Department submit to him a listing of those accounts for which forms are lacking, and he would personally ascertain the subsequent disposition of the status of these accounts.

The firm's procedures for compliance with Rule 430 were reviewed and found adequate.

Discussion with Miss Jane R. Larkin, a general partner, and a limited test of several days' order tickets revealed that the firm is complying with the provisions of Rule 433 (Long Sales).

The firm has instituted the following internal auditing procedures:

1. Fails - details are reconciled daily to General Ledger Controls. Confirms are sent out to brokers approximately once every two months. Buy-in notices are sent four business days before the thirtieth day and executed if the other broker does not reply. The firm promptly answers confirmations received from other brokers.

2 Dividends are reconciled each month to the General Ledger and are aged by the Dividend Department.

3. Bank Accounts are reconciled each month by the Accounting Department.

The firm has four wholly-owned subsidiaries Hirsch & Co., Incorporated, Hirsch Leasing Corp., Hirsch & Co. S.A.R.L., and Hirsch & Co. Gesellschaft M.B.H. Exchange approval has been obtained to include the excess net capital of Hirsch & Co., Incorporated in Hirsch & Co.'s capital. A review of the capital computation prepared by Mr. Alexander Norman indicated that it was prepared substantially in accord with Rule 325. Ledger balances and security positions in the accounts were compared and found to be in accord with the appropriate books and records. However, in computing excess net capital, the following errors were made:

| | | |
|---|---|---|
| 1. | Difference in Capital Requirement | $ 9,712.16 |
| 2. | Taxes Receivable not charged | 13,172.03 |
| | Total adjustment to Hirsch & Co's Capital | $22,884.19 |

The contents of this report were discussed with Messrs. Marshall S. Mandheim and Weil, general partners, and Mr. Garibaldi, Controller, on February 5, 1970 at which time Mr. Mandheim stated that to the best of his knowledge:

1. There are no material liabilities, actual, contractual or contingent, not recorded on the books of account other than those commitments reported on Form X-3.

2. The firm is not borrowing for capital purposes.

3. Borrowings for capital purposes by partners are substantially the same as those reported in the answers to the Special Financial Questionnaire as of November 30, 1969.

Edwin J. Cummings

Alan J. Berk

KHB:th

DEFENDANT N.Y.S.E.
Deft. NYSE Ex. FF p. 697a- 698a
DEFENDANT N.Y. Stock Excha
p. 697a
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# F. I. duPont Fined By the Big Board

By TERRY ROBARDS

The New York Stock Exchange announced last night that it had fined Francis L. duPont & Co. and three of its present or former partners a total of $110,000 for having failed to handle customers' complaints properly. The action of the exchange's board of governors established a precedent, for that it marked the first known instance that disciplinary moves had been made against a member firm or any of its partners for failing to handle complaints properly.

The exchange said that Edmund duPont, the firm's senior partner, was fined $25,000; Charles Moran Jr., former managing partner, was fined $25,000; Alfred J. Coffey, former partner in charge of operations, was fined $10,000, and the firm itself was fined $50,000.

The exchange also said its board of governors had censured the firm and the three men. The fine against Mr. Coffey, who is no longer with duPont, was ordered "remitted." An exchange spokesman said this meant he did not have to pay it.

The period in which the alleged infractions occurred was Sept. 1, 1968, through Oct. 31, 1969. This was a period that encompassed the worst portion of Wall Street's paperwork crisis, when many accounts at many firms were mishandled.

No specific details about the alleged infractions were disclosed either by the stock exchange or by the firm. However, it was understood that the alleged violations stemmed from duPont's inability to process paperwork.

## Improvements Cited

The exchange said the rules that were violated covered acts "detrimental to the welfare of the exchange," dealt with "principles of good business practice" and prescribed standards

The exchange noted that, since last September, when new management of duPont focused on the problem, "significant improvements" in handling customer complaints had occurred. Last Sept. 11, duPont disclosed several management changes.

Mr. Moran stepped down as managing partner and became a limited partner. Wallace C. Latour was elevated to senior managing partner and a board of directing partners was set up under Edmund duPont's chairmanship.

"The charge of poor handling of customer complaints," a duPont spokesman said last night, "involves a period of time when the famous paperwork logjam was at its peak and procedures for handling such matters were admittedly but unavoidably unsatisfactory."

The spokesman added: "Since that time we've installed new procedures and new management." He said the new procedures were "working extremely well."

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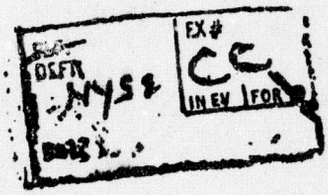
Ruth Gross
Doyle Reporting Inc.
5/23/74




# Francis I. duPont And Hirsch End Merger Talks

## Firms Declined To Give Reasons For Break-Off of Discussions; Profit Pinch Prompted Move

4/24/74 P 22

NEW YORK — One of Wall Street's rumor mills ground to a halt yesterday when Francis I. duPont & Co. and Hirsch & Co. confirmed they had been holding merger talks but had terminated the discussions. No reasons for the break-off were given.

The negotiations between the two New York Stock Exchange member firms apparently would have led to the absorption of the much-smaller house by duPont, which has 44 offices and ranks among the largest firms in the country.

The evidence of the talks, which culminated yesterday, never had pointed up certain pressures that have driven small and medium-sized houses in search of combinations with larger firms. Such houses, for example, are considered more vulnerable to the industry's current profit pinch, which has been spawned by low trading volume.

Asked if Hirsch had been propelled into talks with duPont because of the profit pinch, Paul L. Kohns, Hirsch managing partner, replied, "That would be a fair opinion."

He said Hirsch had been operating at a loss so far this year, although he said the loss wasn't of "major proportions." The firm's capital was some $11.1 million at the end of 1969, down some $1 million during the year.

DuPont, too, has felt the profit squeeze. The firm, which like Hirsch is a partnership, suffered a $7.7 million pretax operating loss in 1969 after post-tax earnings of $1.3 million in 1968. The 1969 loss is expected to be reduced to $4.5 million through partners' tax recoveries.

DuPont's capital, though, currently is $8.3 million, up from $6.9 million a year ago. The firm declined to give first quarter results.

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DEFENDANT N.Y.S.E.

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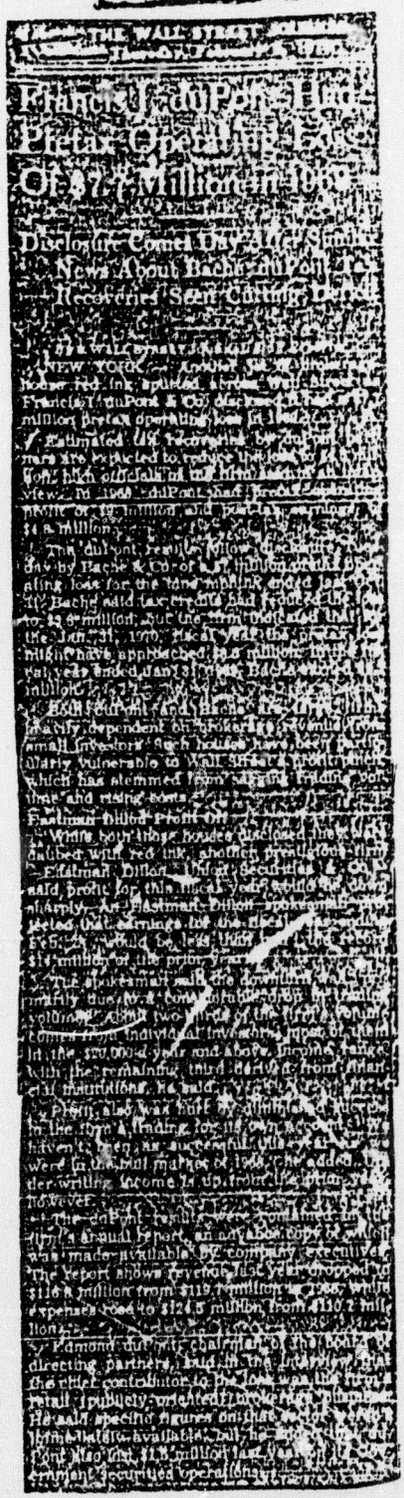
p. 700a



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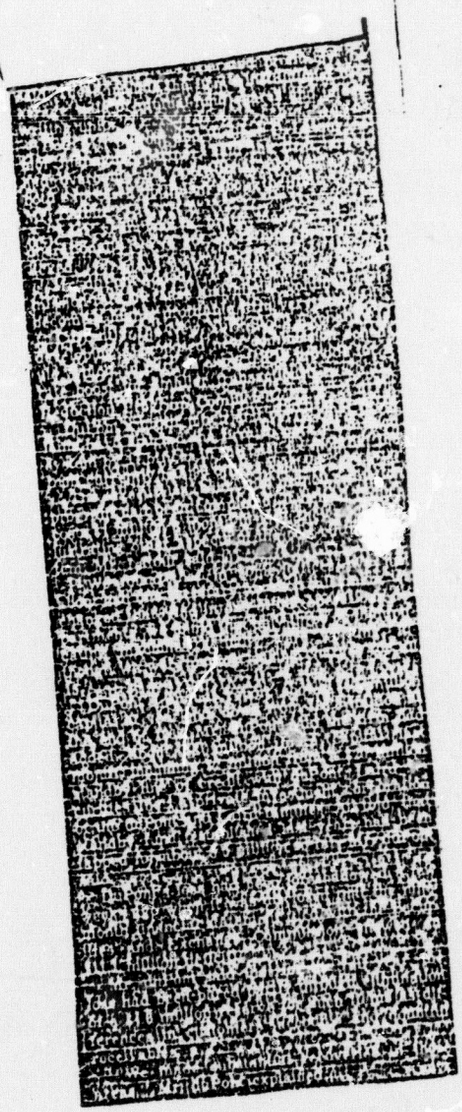

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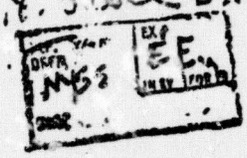
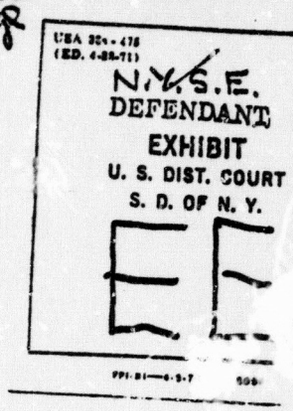
p. 702a

DEFENDANT N.Y. Stock Exchange






# FRANCIS I. DUPONT LISTS BIG '69 LOSS

## $7.7-Million Downturn Put to Higher Operating Costs

By TERRY ROBARDS

Francis I. duPont & Co., a major brokerage house and one of the largest remaining partnerships on Wall Street, disclosed yesterday that it had incurred a loss of $7.7 million in 1969.

Edmund duPont, senior partner of the firm, indicated in an interview that the loss had occurred because of sharply higher operating expenses. Income from operations was put at $118,832,000, second-highest in the firm's history.

The duPont financial report was the second in two days from a major brokerage house. It was disclosed Tuesday that Bache & Co., Inc., had lost more than $7 million in the nine months through Oct. 31, before tax recoveries estimated at about $3.2 million.

The reports of these two concerns provide a dollars-and-cents indication of the severe operating difficulties encountered last year throughout the small or public sector of the securities industry.

Last year's plunge into the red was a dramatic reversal for duPont. In 1968 the firm earned $4,761,000 after taxes of $4,215,000 on revenues of $119,698,000.

Tax recoveries anticipated on the 1969 loss would reduce the total deficit to $4,528,000.

The duPont balance sheet showed that total current assets had declined sharply. Assets of $740.2 million were listed for Dec. 31, 1968. By the same date last year, the total had nosedived to $546.4 million, reflecting especially big drops in items receivable from customers and from other brokers and dealers.

"Nineteen-sixty-nine obviously was a trying year for any-

Continued on Page 63, Column 5

was closing eight branch offices as part of a cutback that eventually has 51 offices closed or consolidated with others; the firm currently has 98 branches. The period also coincided largely with internal difficulties in processing securities delivered to and received from transfer agents, who perform change-of-name tasks after securities are traded.

It's understood that some of those two situations spurred many of the customer complaints received by the firm.

In announcing the action, the exchange said, "Since 1969, when new management of duPont focused on this problem, a significant improvement in the handling of customer complaints has occurred."

**DuPont Comments**

A spokesman for duPont said, "The charge of improper handling of customer complaints involves a period of time when Wall Street's paper-work logjam was at its peak and procedures for handling letters of this type were unavoidably less than they should have been.

"Since that time, we've had a new senior management which took over on Sept. 1, 1969, and since then we've thrown out our old procedures and have procedures that are working and we believe will continue to work satisfactorily."

In recent interviews, duPont officials have said the firm's transfer processing was revamped last October and has been running smoothly since then. They added that duPont doesn't plan to close any more branches.

In the most recent interim earlier this week, the executives disclosed that duPont had a $7.2 million pretax operating loss for 1969. Partnership tax recoveries reduced the loss to $4.5 million. The firm estimated in 1968 duPont had a pretax operating profit of $9 million and post-tax earnings of $4.8 million.

The record fine disclosed by the Big Board was for $185,000 against Dempsey-Tegeler & Co. and certain officials of the St. Louis-based firm. The fine was levied last May and was for alleged rules violations in connection with Dempsey-Tegeler's operations difficulties.

Two $150,000 fine packages also were imposed last year. In August, Charles Plohn & Co. was fined $100,000 and Charles Plohn, its chief executive, was fined $50,000 for alleged violation of rules governing salesmen supervision and maintenance of stock market credit.

The following month, Hayden, Stone, Inc. was fined $150,000 as a result of its operations problems.

Mr. Coffey, currently a consultant in the securities industry, declined comment on the exchange action.

DEFENDANT N.Y. Stock Exchange

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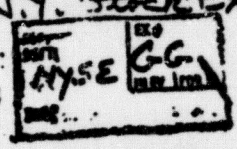
p. 704a




# Big Board Fines Francis I. duPont And 3 Individuals

## Exchange Acts on Handling Of Clients' Complaints in Period of Operating Woes

## Penalty Among Largest Ever

By a Wall Street Journal Staff Reporter

NEW YORK — The New York Stock Exchange governing board fined Francis I. duPont & Co. and three present and former partners a total of $110,000 for alleged improper handling of customer complaints. The asserted violations were said to have occurred between September 1968 and last October, a time when the firm, one of the largest in the country, admittedly was having operational problems.

The penalties, assessed at the governing board's meeting yesterday, are among the largest parcel of fines known to have been levied against a Big Board member and its officials.

The firm and the three individuals also were censured.

The exchange fined the firm $50,000 and levied the following individual imposts:

Edmund duPont, chairman of the board of directing partners, and Charles Moran Jr., a general partner, $25,000 each. Mr. Moran had been sole managing partner for 20 years, stepping down last September in a top-management reshuffling. He was replaced by a four-man "office of managing partners."

Albert J. Coffey, formerly partner in charge of operations, was fined $10,000.

The exchange has disciplined both with and without publicity dozens of member firms and their officers as a result of the industry's so-called back-office crunch, which stemmed from the inability of many houses to efficiently handle high trading volume.

### Details Not Given

While the exchange's charges against duPont didn't go into detail, it's understood that the basis of the accusations was 600 customer complaints received by the firm during the 16-month period. Although the 600 gripes came from only a fraction of the 495,000 customers the firm had then, it's understood the exchange applied a multiplier on the assumption that more dissatisfied customers made oral complaints.

In a rule adopted last August, the exchange expressed concern over the rising amount of customer gripes received by firms generally as a result of the industry's operations problem. The rule required that member houses that hadn't already done so adopt detailed internal record-keeping procedures to tabulate and analyze customer complaints. Firms also are required, under the rule, to establish follow-up procedures to pinpoint corrective action stemming from the complaints.

HIRSCH & CO.
MEMBERS NEW YORK STOCK EXCHANGE

25 BROAD STREET • NEW YORK, N.Y. 10004
(212) 422-0600 • CABLE "HIRLICO" NEW YORK

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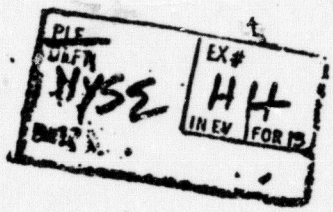
Doyle Reporting Inc. CJ




April 27, 1970

Dear

I am writing to the friends and clients of Hirsch and Company in order to eliminate any misunderstandings or misconceptions of statements recently made in conjunction with merger negotiations with Francis I. Dupont.

The extended period of reduced activity in the securities markets has necessitated an overall review of the nature of today's brokerage industry. It has prompted discussions among many firms seeking means of reducing costs. The negotiations with Dupont, which subsequently were terminated, were of this nature.

Hirsch and Company today is in sound financial condition. Our Aggregate Indebtedness stands at a conservative 1000% of Net Capital, which means that we have twice as much capital as is required by the New York Stock Exchange. Our operating loss for the first quarter of 1970 was approximately $125,000. This amount is relatively insignificant in view of the size of our capital and operation. In addition, our back office continues to be in the excellent operating condition which I believe makes it one of the strongest in the industry.

Hirsch and Company stands ready to serve as efficiently as ever in the handling of our clients' orders. I sincerely hope that if any questions remain unanswered you will not hesitate to contact us. At the completion of our current audit, a statement of Hirsch and Company's financial condition will be forwarded to you. Enclosed is our unaudited statement as of December 31, 1969.

Very truly yours,

Paul L. Kohns
Managing Partner

Enc.

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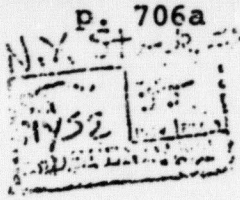
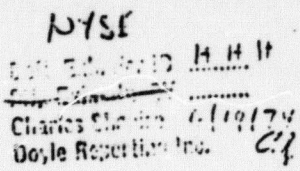
p. 706a





# HIRSCH & CO.

MEMBERS NEW YORK STOCK EXCHANGE

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VIENNA

25 BROAD STREET • NEW YORK, N.Y. 10004
(212) 422-0600 • CABLE "HIRLICO" NEW YORK

June 15, 1970

I am sending you a form required by the NYSE to be filled out when an individual becomes a partner of a member firm even though he is already a partner of an existing firm.

As you have expressed your intention to become a limited partner of F.I. duPont, Glore Forgan & Co. would you please answer all questions in the enclosed form and return it to me at your early convenience.

With kindest regards,

Faithfully,

P. L. Kohns

Form AD-3

(Short Form—To bring previous allied member or non-member application up to date.)

## NEW YORK STOCK EXCHANGE

Application of _____ as

- ☐ An Allied Member of the New Stock Exchange (Further qualify):
  - ☐ a general partner in a member firm
  - ☐ a director who is an employee of the member corporation and a holder of voting stock
  - ☐ a principal executive officer of the member corporation and a holder of voting stock
  - ☐ an employee of the member corporation holding 5% or more of its outstanding voting stock
- ☐ An Approved Person (Further qualify):
  - ☐ non-employee director
  - ☐ non-employee holder of 5% or more of the outstanding voting stock of the member corporation.
- ☐ A holder of voting stock and not an allied member and not an approved person
- ☐ A holder of non-voting stock
- ☐ A holder of debentures
- ☐ A limited partner
- ☐ (other) _____

of the member organization of _____

to be effective _____

Address at which applicant will make his office _____

Applicant's home address _____

In answering the following statements, give full details, using separate signed sheets or letter of explanation, if necessary.

1. Since _____, 19__, the date of my previous application I have been engaged in business as follows:

_____ to _____ _____
(Date) (Date) (Organization and position held)

_____ to _____ _____
(Date) (Date) (Organization and position held)

*ALL* BUSINESS CONNECTIONS NOT SHOWN IN STATEMENT 1 MUST BE SHOWN IN ANSWER TO STATEMENT 2.

N.B. In statement 2, the term "controlling" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. (Securities Exchange Act of 1934, Sec. 12).

2. (a) I am at present a proprietor, partner, director, officer, controlling person, employee, or member of the following business organizations, other than shown in my answer to statement 1 (Give full details including address, type of business, date connection was established, position held, amount of time devoted thereto and compensation received.)

(b) I have or have had a financial or controlling interest (through direct or indirect stock or bond ownership, through outstanding loans, or otherwise) in the following companies engaged in a securities or financial or kindred business. (Give full details using separate letter, if necessary):

(c) I have been, since the date of my previous application, a proprietor, partner, director, officer, controlling person, employee, or member of the following business organizations: (Give dates of connection, type of business, address and position held.)

3. (a) I have, or have had, since the date of my previous application, transactions with the following brokerage houses, either in my own name or in another style: (Give addresses. State style used for transactions not conducted in own name.)

(b) I have, or have had, since the date of my previous application, accounts or other dealings (including loans granted or denied) with the following banks or other financial organizations, either in my own name or in another style: (Give addresses. State style used for accounts or loans not carried in own name.)

**ANSWER "YES" OR "NO" TO QUESTIONS 4 THROUGH 14 COVERING THE PERIOD SINCE THE DATE OF PREVIOUS APPLICATION**

4. Have you used or been known by any name or style other than as shown above?

5. (a) Have you been refused a bond by a surety company?

(b) Has any surety company paid out any funds on your coverage or cancelled your coverage?

6. Have your services been terminated by any employer?

7. In your business connections or employment in any capacity, has any transaction under your attention been the subject of a written complaint or legal or arbitration proceedings?

8. (a) Have you ever been a member, or associated as a principal with a member, of any securities or commodity exchange other than the New York Stock Exchange?

(b) Have you ever been a member, or associated as a principal with a member, of the National Association of Security Dealers, Inc., or any other association of security or commodity brokers, dealers, investment bankers or investment advisors?

(c) Has any application for your approval by any exchange or association, as a member or otherwise, been denied or withdrawn?

(d) Have you ever been associated (as a principal, employee or otherwise) with any organization which, or a principal of which was refused membership or withdrew an application for membership in any exchange or association?

9. (a) Have you ever been investigated, expelled, suspended, fined, censured, or otherwise disciplined by the Securities and Exchange Commission, any State Securities Commission, the National Association of Securities Dealers, Inc. or any other securities or commodity exchange or association?

(b) Have you ever associated (as a principal, employee or otherwise) with any organization which, or a principal of which was investigated, expelled, suspended, fined, censured, or otherwise disciplined by such an exchange, association, or securities commission?

10. (a) Have you ever been denied a license, franchise, permit, certificate or registration required to engage in the securities, commodities, or any other business or profession?

(b) Has any such license, franchise, permit, certificate or registration which you have held been suspended or revoked?

(c) Have you ever been prohibited, temporarily or otherwise, from engaging in the securities, commodities, or any other business or profession, or from dealing in any particular security or commodity?

(d) Have you ever been associated with any organization which, or a principal of which, has been prohibited from engaging in any business or profession or from dealing in any particular security or commodity, or whose license, franchise, permit, certificate or registration required to engage in any business or profession has been denied, suspended or revoked?

11. (a) Have you ever been arrested for, or formally charged with, or convicted of the violation of any criminal law (other than minor traffic violations) or have you been the subject of a court-martial or other form of military proceeding?

(b) Are you now or have you ever been involved as a party or witness in any trial or proceeding before a civil or criminal court, an arbitration tribunal, an administrative agency, a court martial or other regulatory body?

12. Have any suits, judgments, liens (including tax liens), attachments or other encumbrances been taken or filed against you?

13. Have you, or any organization with which you have been associated, failed in business, made a compromise with or an assignment for the benefit of creditors, taken advantage of any Exemption Law, or been a party to any voluntary or involuntary bankruptcy or insolvency proceeding?

14. Have you been fingerprinted in accordance with the law governing securities personnel in your State? (if not applicable, please state)

**IF YOUR ANSWER TO ANY OF QUESTIONS 4-13 IS "YES," PLEASE GIVE FULL DETAILS (Attach separate signed sheets):**

| Question No. | |
|---|---|
| | |
| | |
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| | |
| | |

15. My net worth (including equities in real estate, securities and other property) is in excess of $_____.

16. I. The following is applicable only to partnerships:

(a) I (will) (will not) make a capital contribution to the firm of ($_____ in cash) ($_____ in market value of securities) at _____% interest;

(b) I will share in _____% of profits and _____% of losses.

(c) I will have a drawing account as a charge against my interest in profits of $_____ per _____; or

(d) I will have a salary in addition to my interest in profits of $_____ per _____.

II. The following is applicable only to corporations:

(a) I (will) (will not) (do) own _____ shares of voting stock representing _____% of the outstanding voting stock of the corporation for which I (will pay) (paid) $_____. Please indicate the date of this transaction: _____

(b) I (will) (will not) (do) own _____ shares of non-voting stock representing _____% of the non-voting stock of the corporation for which I (will pay) (paid) $_____. Please indicate the date of this transaction: _____

(c) I (will) (will not) (do) own (_____ debentures bearing _____% interest for which I (will pay) (paid) $_____) (_____ participating debentures bearing _____% interest for which I (will pay) (paid) $_____).

(d) I will have a salary of $_____ per _____.

(e) I (will) (will not) be a director of the corporation.

(f) I (will) (will not) be an officer of the corporation. (State title to be held.) _____

(g) I (will) (will not) be a principal executive officer of the corporation. A principal executive officer must indicate his area or areas of executive responsibility. _____

Remaining questions applicable to all applicants:

17. (a) I (will) (will not) make a subordinated loan to any member organization of $_____ in (cash) (market value of securities), for which I will receive interest at the rate of _____%. The subordinated loan will expire _____.

(b) I (will) (will not) subordinate my claim to the equity as it now and hereafter stands in my account(s) with the organization captioned _____. At the present time, such account(s) (has) (have) a (debit) (credit) balance of $_____ and long securities with a market value of $_____. As compensation therefore, I will receive interest at the rate of $ _____%. The subordination of my claim will expire _____

(c) I (will) (will not) become a contributor of a secured demand note in the amount of $_____, for which I will receive interest at the rate of _____%.

18. (a) In connection with my proposed capital arrangement with the member organization as stated above, no funds will be borrowed by me, nor have I given nor will I give any note, other obligation or acknowledgement in connection therewith (except as follows): _____

(b) Other than as stated in 17(a), I (have) (have no) loans or borrowings reportable under Rule 420 of the Board of Governors. (Give required details covering reportable items on a separate sheet signed, dated and annexed hereto.)

19. The nature of my activities with the member organization will be: (If you are not an employee of the member organization, briefly explain the nature of any direct or indirect business dealings you have had or contemplate having with the member organization.) _____

20. I intend to devote my time exclusively to the business of the member organization (except as follows): _____

**IMPORTANT**

*The following section must be executed by all applicants in connection with the proposal outlined herein:*

This application for approval by the Board of Governors is not being made in reliance upon the standing of the above named organization as a member organization of the New York Stock Exchange ("Exchange") or upon the Exchange's surveillance of such organization or its capital position. I have made an investigaiton of such member organization and its partners, officers, directors and stockholders as I deem necessary and appropriate under the circumstances, including an examination of the latest certified audit by _____ (Name of Auditor) dated _____ and a recent computation of net capital prepared by the member organization dated _____ (Date) 3/ /1970 (Date). I am not relying upon the Exchange to provide any information concerning or relating to such member organization and agree that the Exchange has no responsibility to disclose to me any information concerning or relating to such member organization which it may now, or at any future time, have. I agree for myself, my personal representatives, successors and assigns that neither the Exchange, its Special Trust Fund, nor any governor, officer, trustee or employee of said Exchange or Fund shall be liable to me with respect to my investment or interest in such member organization or with respect to any repayment of any such investment.

The applicant, in signing this application, agrees to abide by the Constitution and Rules of the Board of Governors of the New York Stock Exchange as the same have been or shall be from time to time amended and as the same shall apply to him, this agreement to become effective in the event of the approval by the New York Stock Exchange of this application. Moreover, it is clearly understood and agreed that the proposal outlined herein and in every supplementary sheet attached hereto may not become effective until it is approved by the Board of Governors of the New York Stock Exchange.

The applicant agrees that (1) if any share of stock of the member corporation which is not a freely transferable security should at any time be acquired, held or owned by a person not approved by the Exchange, except the estate of a deceased stockholder for such period as may be allowed by the Exchange, or (2) if any person required to be approved by the Exchange as an approved person fails or ceases to be so approved, or (3) if any stockholder should violate his agreement with the Exchange, the member corporation may be deprived by the Exchange of all the privileges of a member corporation.

*The applicant also agrees to comply with Rule 312(c) and Rule 313(b) and such other provisions of the Constitution and the Rules of the Board of Governors relating to approved persons as shall from time to time be in effect. The applicant agrees promptly to notify the Exchange, so long as it remains an approved person, of any acquisition or disposition by it of any security of such member corporation.

The applicant agrees that the approval of this application by the New York Stock Exchange may be withdrawn if, in the opinion of the Exchange the applicant has:

(1) violated any provision of the Constitution or of any rule adopted by the Board of Governors applicable to it as the same may be from time to time in effect;

(2) violated any of its agreements with the Exchange;

(3) made any misstatements to the Exchange; or

(4) been guilty of (i) conduct inconsistent with just and equitable principles of trade, (ii) acts detrimental to the interest or welfare of the Exchange, or (iii) conduct contrary to an established practice of the Exchange.*

**I further state that I have read the Constitution and Rules of the Board of Governors of the New York Stock Exchange and I hereby pledge myself to abide by the Constitution and Rules of the Board of Governors of the New York Stock Exchange as the same have been or shall be from time to time amended.**

The language enclosed in single asterisks (*) applies only to approved persons. While the language enclosed in double asterisks (**) applies only to proposed allied members. The language not enclosed by asterisks applies to all applicants.

Date _____ _____
(Signature of Applicant)

State of _____ }
County of _____ } ss.:

On the _____ day of _____, in the year 19____

Before me personally came _____ to me known, and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed the same.

Note: If executed outside of New York State, attach Certificate of County Clerk or other appropriate official as to the authority of the Notary Public or other official taking the acknowledgment.

PP

FRANK

Deft. NYSE Ex. PP, pp. 712a-716a
p. 712a

JUST A FEW
IDEAS IN CASE
OF A CRISIS.

S. P. du P.

PAUL du PONT
ONE WALL STREET

# INTER-OFFICE MEMORANDUM

TO: Mr. G. W. Thompson, Jr.

FROM: Paul du Pont

DATE: June 12, 1970

SUBJECT:

The accompanying schedules show how approximately $17 million in "Net Capital" can be made available to F. I. duPont, Glore Forgan & Co. from the present assets of its three predecessors.

As shown in Schedule I, about $6.6 million can be made available through reduction in non-current assets through sale and lease-back. $5.6 million of this can be obtained through the sale and leaseback of furniture and leasehold improvements presently carried on the books of the three firms. Another $1.0 million could be obtained through sale of seats and use of $2 brokers (effectively a sale and lease-back of seats.) A good candidate for the sale of furniture, etc. is U. S. Leasing, a finance company, to which Glore Forgan has already sold $1.1 million in fixed assets.

Another $1.0 million could be realized from recovery of duplicate prepaid expenses and deposits for services.

Another $1.0 million might be realized from recovery of tax refunds, bringing the total available from non-current assets to $8.6 million.

Approximately another $5.0 million might be obtained by pair-offs of dividend charges, bringing the total available from reduction of charges against capital to $13.6 million.

$2.0 million is available for addition to capital in the form of a subordinated loan from the Employee Trust of Glore Forgan, which has not yet been subordinated, bringing the total to $15.6 million.

As shown in Schedule II, The Wall Street Leasing Corporation presently owns $5.1 million of furniture and leasehold improvements. If these were also sold to U. S. Leasing the proceeds could be used to pay off The Wall Street Leasing Corporation's $3.8 million in notes, leaving a cash residual of $1 3 million which could be subordinated or used to buy the present computer operation and staff. This would bring the total available capital to $16.9 million.

Schedule III shows the effect on the capital ratio of the combined firm from the aforementioned items; excluding the $5.0 million dividend pair-off. The assumptions in this schedule are that Hirsch & Co. would contribute all of its present capital, making the ratio before new "Net Capital" slightly under 1500%. As can be seen, a $1.3 million addition to capital from The Wall Street Leasing Corporation, plus a $2.0 million addition to subordinated loans from the Glore Forgan Employee Trust, plus an $8.6 reduction in non-current assets as described above would result in reducing the ratio to less than 1000% and would leave excess capital of more than $18 million.

BEST COPY AVAILABLE

RD. DEPT. (HS) Exhibit 18

# SCHEDULE I

## Capital Available from Capital Charges Presently Carried by duPont, Glore Forgan and Hirsch

| | |
|---|---|
| $ 1.4 Million | Hirsch Furniture/Leasehold |
| 1.7 " | Glore " " |
| 2.5 " | duPont " " |
| 5.6 " | Sale-Leaseback of Total Furniture/Leasehold |
| 1.0 " | Duplicate Prepaid Expense/Deposits Recoverable |
| 1.0 " | Tax Refunds Receivable. (Hirsch $350,000; duPont $650,000) |
| 5.0 " | Pair-offs of Dividend Accounts |
| 1.0 " | Sales of Seats |
| $13.6 Million | Total Capital Charge Reduction |
| 1.3 " | The Wall Street Leasing Corporation |
| 2.0 " | Subordination of Glore Employee Trust |
| $16.9 Million | TOTAL CAPITAL AVAILABLE |

## SCHEDULE II

| | |
|---|---|
| $ 2.4 Million | The Wall Street Leasing Corporation-Furniture |
| 2.7 " | The Wall Street Leasing Corporation-Leasehold |
| $ 5.1 Million | Total |
| -3.8 " | The Wall Street Leasing orporation-Notes Payable |
| $ 1.3 Million | Net Available from The Wall Street Leasing Corp/ |

SCHEDULE III

| | HIRSCH | GLORE | F.I.D. | COMBINED | RES. |
|---|---|---|---|---|---|
| Cash Capital | $ 7,005 | $ 3,693 | $ 11,662 | $ 41,475 | $42,775 |
| Demand Notes (Less Charge) | | 7,163 | 19,594 | | |
| Subordinated Account (Less Charge) | 3,535 | 4,474 | 11,026 | 19,035 | 21,035 |
| Other Securities (Less Charge) | 815 | - 0 - | 9,824 | | |
| P & L | ( 611) | (1,611) | (11,688) | | |
| Total Available Capital | $10,824 | $13,719 | $ 40,418 | $ 64,961 | $68,261 |
| Operating Charges Against Capital | 26 | 1,408 | 3,049 | | |
| Customers' Securities | 284 | 515 | 4,632 | | |
| Customers' Commodities | 90 | - 0 - | 1,406 | | |
| Dividends | 423 | 965 | 9,506 | | |
| Contract Commitments | 57 | 464 | 69 | | |
| Investment in Subsidiaries (Net) | 533 | | ( 221) | | |
| Other Non-Current Assets | 4,071 | 6,548 | 6,810 | 17,429 | 8,829 |
| Total Operating Charges | $ 5,484 | $ 9,900 | $ 25,305 | $ 40,689 | $32,089 |
| Net Capital | 4,430 | 3,818 | 15,113 | 24,362 | 36,172 |
| Bank Overdrafts | | 1,346 | 8,760 | | |
| Money Borrowed | 29,964 | 27,400 | 135,980 | | |
| Stock Loaned | 2,748 | 7,335 | 13,885 | | |
| Fail to Receive | 5,353 | 4,733 | 15,249 | | |
| Free Credits | 10,572 | 21,105 | 50,924 | | |
| Miscellaneous Accounts Payable | 2,899 | 2,796 | 13,426 | | |
| Bank Drafts for Credit | 1,198 | | 3,483 | | |
| Total A.I. | $52,234 | $64,715 | $241,707 | $358,656 | $358,656 |
| Capital Requirement | $ 2,611 | $ 3,236 | $ 12,085 | $ 17,932 | $ 17,932 |
| Excess Capital | $ 2,891 | $ 583 | $ 3,028 | $ 6,502 | $ 18,780 |
| Ratio | 962 | 1,694 | 1,599 | 1,472 | 992 |
| | 26 April | 29 May | 28 May | | |

June 17, 1970

QQ

June 16, 1970

TO: Harold A. Rousselot

CC: Paul L. Kohns ✓
Sam Gay
Norm Swanton
Paul duPont

RE: Reduction of Capital Charges

The attached memorandum from Norm Swanton directs itself to what I consider to be the most immediate problem we are faced with in this consolidation. We have had some experience with this task force approach here at CFS and it has worked. I strongly recommend Norm's idea and that we get started on it immediately.

Jim Lynch

JHL:lap
Enc.

PLF. DEFT. (445) D. 19
WIT.
DATE 5-29-69
DAR ASSN. REPORTING SERVICE

XG

GLORE FORGAN, WM. R. STAATS INC.

INTER-OFFICE MEMORANDUM

TO: Mr. James H. Lynch, Jr.
Acting Chief Administrative Officer

DATE: June 15, 1970

FROM: N. F. Swanton

SUBJECT: REDUCTION OF CAPITAL CHARGES

In order to provide the consolidated Partnership of Francis I. duPont Glore Forgan & Co. with the necessary capital cushion to avoid Rule 325 problems on the first day of business, I propose that we immediately form a Task Force whose goal would be to reduce capital charges arising from operating accounts in the amount of $5,000,000. This would increase Francis I. duPont's excess net capital to approximately $8,000,000 and should provide a ratio in the 1200 area on the first day of business June 29, 1970.

I would nominate Michael Boylan to head up this elite group as Mike has the experience, speed, and sense of urgency needed to achieve this undertaking. He would bring along with him four of our best Operations Recovery Specialists -- Bill Ward, Steve Edwards, Ed Buscemi, and Steve Rothbaum, plus one individual from our Internal Audit Staff to originate and control the necessary accounting entries. The only tools they will require that are not presently available would be a listing from F. I. duPont of all the free longs in the security difference account, plus the long stock dividends. This listing should subtract out any customer shorts, old transfers, stock record shorts, and stock dividend shorts that pre-date January 1, 1970. The above could be accomplished in one of two ways -- if the EDP Department can extract this information from the files this would, of course, be the most expeditious route. If this is not possible, this information could be key punched and sorted in the above format.

Lacking this type of integrated information would require each "long" and "short" to be individually researched and I understand we are dealing with over 10,000 items. It would not be possible to accomplish our goal within the time constrictions lacking this type of data. I can mobilize our group into action within 24 hours of your decision.

In reviewing the capital charges and credits for F. I. duPont, Glore Forgan Staats, and Hirsch & Co. I cannot see that we will be able to add capital credits in any other area which would have a significant favorable impact on the ratio by June 26. Accordingly, I would strongly urge you to consider this proposal as a top priority item and stress to the systems and programming people the importance of the requested information.

NFS:mag

N. F. Swanton
Senior Vice President

As of 5/30/70
Data Date 5/29/70

| | | | |
|---|---|---|---|
| 1. Cash Capital | 12416 | | |
| Less Unfunded Debts | (254) | 11,162 | |
| 2. Subordinated Other Than Secured Debts (Net) | 1308 | | |
| Total Capital Charge | 2634 | 10,146 | |
| 3. Secured Debts - Cash | 756 | | |
| Securities | 29196 | | |
| Total Capital Charge | (782) | 35,170 | |
| 4. Subordinated Debentures - Cash | 6759 | | |
| Securities | 6643 | | |
| Total Capital Charge | (1951) | 11,451 | |
| 5. Certain Liabilities - Cash | 414 | | |
| Securities | 16 | | |
| Total Capital Charge | (4) | 426 | |
| 6. Certain Cash Secured - Cash | (1286) | | |
| Securities | (217) | | |
| Total Cap. Charge | 47 | (1,047) | |
| 7. Haircut Value Exchange Or Receivables | (3,908) | | |
| Total Capital Charge | 1178 | (2,730) | |
| 8. Excess of Cash Value - Collateralized Value | (9,773) | | |
| Add: Cash Value Charges | (2,778) | | |
| Tot. Cash Value Chg. | (237) | (11,230) | |
| Cap. Charge | | | |
| 1. Haircut - Marketable | 1218 | | |
| Capital Gain Deductions | 69 | | |
| Tentative Charge | 334 | | |
| Cash Dividend Requirements | 352 | | |
| Cash Capital Charge Over 50 Days | 196 | | |
| Total Charge | 396 | 2,017 | |
| 2. Haircut - Undue Concentration - Unsecured Debts | 2574 | | |
| | 2420 | | |
| | | | |
| | | | |
| | 67 | | |
| | (181) | | |

DEPO-RESOURCES
DATE 6-16-74
REPORTING SERVICE

2 5/28/70

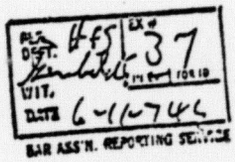
Operating Charges Continued

| | | | |
|---|---|---|---|
| 3. | Customers Commodities - Unsecureds | 247 | |
| | Commissions Receivable | 7 | |
| | 1 1/2% Charge | 929 | |
| | Cash Req. to Margin | - | |
| | Credit Lines | 10 | |
| | Deficits | 113 | 1405 |
| 4. | Dividend Accounts - Ledger Debits | 4361 | |
| | Valuation of Shorts | 5199 | 9560 |
| 5. | Fails to Deliver 39-90 Days | | 51 |
| 6. | Investment in Subsidiaries | 1980 | |
| | Less Excess Capital From Subsidiaries | (2201) | (221) |
| 7. | Other Non Current Assets | | 6317 28305 |
| | Net Capital | | 15113 |
| | A. L. ITEMS | | |
| 1. | Money Borrowed with Customers Collateral | | 12[illegible] |
| 2. | Overdrafts | | 8720 |
| 3. | Stock Loans | | 18224 |
| 4. | Fail to Receive | | [illegible] |
| 5. | Free Credits | | 8645 |
| 6. | Short Credits | | 3439 |
| 7. | Drafts for Immediate Credit | | 13[illegible] 6117 |
| 8. | Miscellaneous Payables | | |
| | | | 17032 |
| | Capital Requirement | | |
| | | | 3277 |
| | Excess Capital | | |
| | | | 12056 |
| | Ratio | | |

Exclusive of Sub Div - Loans
Short

YY

Deft. NYSE Ex. YY pp. 721a-743a.
p. 721a




Francis I du Pont.

Re: Comments re: A-1 Computation
as of 3-13-70

| ITEM NO | | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| | ALLOWED CAPITAL | | | | |
| 5 | CAPITAL ADDITIONS - CASH | | | 1JV | |
| | SECURITIES | | | 50.61 | |
| | LOSS CAPITAL CHARGE | | | (1.00) | |
| | | | | | 3797 |
| | CAPITAL RECEIVED AFTER 1-30-70 | | | | |
| | DATED AS CAPITAL ADDITIONS FROM 7-1-69 | | | | |
| | CAPITAL STAND BY COMMITMENT | | | | |
| 7 | MARKET VALUE INCREASE IN SECURITIES | | | 1.10 | |
| | LOSS CAPITAL CHARGE | | | (.22) | |
| | | | | | 963 |
| | HOW IS ITEM COMPUTED? | | | | |
| 8 | PROFIT & LOSS UNDISTRIBUTED | | | (.961) | |
| | EST LOSS FIRM TRADING | | | (19.8) | |
| | EST LOSS FAIL LIQUIDATION | | | (.66) | |
| | | | | | (5073) |
| 8.10 | TRADING INVESTMENT PORT | | | | |
| | SHORT FOR 1-30-70 | | | | |
| | LONDON A/C | | | 69960 DN | |
| | LONG VALUE | | 84456 | | |
| | SHORT VALUE | | 14496 | 65046 DN | |
| | NET LOSS | | | 4914 DN | |
| | WHAT IS THE FIRM TRADING LOSS? | | | | |

COMMENTS RE A-1 COMPUTATION
AS OF 3-12-70

| ITEM NO | | 1 | 2 | 3 | 4 | |
|---|---|---|---|---|---|---|
| 1 | ALLOWED CAPITAL | | | | | 1 |
| 2 | | | | | | 2 |
| 3 | | | | | | 3 |
| 4 | 3 DRIVING MOTOR - SOLENOID | | | | | 4 |
| 5 | | | | | | 5 |
| 6 | | | | | | 6 |
| 7 | SILENT FORM 1-30-70 | | | | | 7 |
| 8 | Lab 11 P. 6 | | | | | 8 |
| 9 | | | | | | 9 |
| 10 | S. W. ALLYN | | | | | 10 |
| 11 | SYSTEMS ENG LAB | 13000 | 2W1/2 | 39 | 487000 | 11 |
| 12 | | | | | | 12 |
| 13 | | | | | | 13 |
| 14 | S. W. ALLYN - COLLATERAL | | | | | 14 |
| 15 | PLEDGED BY NM 1502-AK | | | | | 15 |
| 16 | SYSTEMS ENG LAB | 16400 | 2W3/8 | 39 | 63140 | 16 |
| 17 | | | | | | 17 |
| 18 | | | | | | 18 |
| 19 | | | | | | 19 |
| 20 | SYSTEMS ENG LAB - CONTROL STOCK? | | | | | 20 |
| 21 | | | | | | 21 |
| 22 | | | | | | 22 |
| 23 | | | | | | 23 |
| 24 | | | | | | 24 |
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| 44 | | | | | | 44 |
| 45 | | | | | | 45 |

CAPITAL ASSETS - SUBORDINATED CAPITAL

1-30-1970

| | | DEBIT | CREDIT | LOANS | CAPITAL CHANGES |
|---|---|---|---|---|---|
| 10 | CAPITAL ACCOUNTS | | | | |
| | A ORDINARY CAPITAL | | | | |
| | 1 CAP ASSETS GOVT PORT | | | | |
| | 2 LOCKBOX BALANCE | 31469003 | | | |
| | 4 EXEMPT SEC Sch A | | | 354750 | 0 + |
| | 6 NON-EX SEC - 4 | | | 703748 | 0 - |
| | 8 UNDISBURSED MONEY | 615040 | | | |
| | 11 | | | | |
| | 12 2 CAPITAL ASSETS - SUBSIDIARY | | | | |
| | PORTFOLIO | | | | |
| | 13 LOCKBOX BAL | 9109001 | | | |
| | 14 EXEMPT SEC Sch B | | | 37[illegible]60 | 0 1191162 |
| | 15 NON-EX SEC - 4 | | | 80[illegible]64 | 0 [illegible] |
| | 16 | | | | |
| | 17 3 UNDISTRIBUTED POL | 116004 | | | |
| | 18 | | | | |
| | 19 | | | | |
| | 20 | | | | |
| | 21 | | | | |
| | 22 | | | | |
| 23 | IV + SUBORDINATED CAPITAL | | | | |
| | 24 | | | | |
| | 25 LOCKBOX BAL Sch B | 6179419 | | | |
| | 26 EXEMPT SEC - | | | 81[illegible]16 | } 713[illegible] |
| | 27 NON-EX - | | | [illegible] | |
| | 28 | | | | |
| | 29 | | | | |
| 30 | 18 + DEFERRED NOTES SENT BY Cap Sch B | | | | |
| 31 | GOVT PORT COLLATERALIZED | 31476000 | | | |
| 32 | GOVT | | | | |
| 33 | LOCKBOX BAL Sch B | | 699469 | | |
| 34 | EXEMPT SEC " | | | [illegible]30 | [illegible] |
| 35 | NON-EX SEC " | | | [illegible]33 | [illegible] |
| 36 | | | | | |
| 37 | | | | | |
| 38 | | Sch B | | | |
| 39 | R DEFERRED OBLIGATIONS CAP [illegible] | | | | |
| 40 | LOCKBOX BAL | | [illegible] | [illegible] | [illegible] |
| 41 | EXEMPT SEC | | | [illegible] | [illegible] |
| 42 | NON-EX SEC | | | | |
| 43 | | | | | |
| 44 | LOCKBOX ASSETS 011 | [illegible] | | | |
| 45 | DEFERRED NOTES 018 | [illegible] | | | |
| 46 | NET CAPITAL | [illegible] | | | |

CAPITAL CHANGES
12-31-68 TO 3-13-70

| ITEM 5 ALLOWED CAPITAL | 1 3-13-70 | 2 12-31-69 | 3 9-26-69 | 4 12-31-68 |
|---|---|---|---|---|
| 1 CAPITAL FUNDS | | | | |
| 2 | | | | |
| 3 RETAINED UNDER | | | | |
| 4 LIBERALIZATION | | | | |
| 5 AGREEMENTS | | $477 | $493 | $933 |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | | | | |
| 10 NET WORTH | | $1609 | $9913 | $13997 |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |
| 14 TOTAL CAPITAL FUNDS | $2086 | $2086 | $10406 | $14930 |
| 15 | | | | |
| 16 | | | | |
| 17 CHANGES IN CAPITAL | $ | $ | ($ ) | |
| 18 | | | | |
| 19 | | | | |
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| 44 | | | | |
| 45 | | | | |
| 46 | | | | |
| 47 | | | | |

Securities Positions in Capital Accounts
Non Exempt Securities 1-30-70

| | | 1 Quantity | 2 Approximate Market Price | | 3 Valuation | 4 |
|---|---|---|---|---|---|---|
| | Schedule V | | Per W.S.J. 3/23/70 | | | |
| | Consol Foods Corp. | 40,000 | 39½ | 38 | 1,520,000 | 1,560,000 |
| | Du Pont De Nemours | 11,637 | 96½ | 97 | 1,122,824 | 1,128,489 |
| | IBM | 3,113 | 315½ | 325 | 1,024,845 | 993,047 |
| | Std Oil N.J. | 22,918 | 55½ | 56 | 1,272,849 | 1,260,490 |
| | | | | 57.28% | 4,940,518 | 4,942,989 |
| | Various Securities | | 4.72% | | 379,283 | |
| | Total Schedule V | | | | 5,319,957 | |
| | Schedule II | | | | | |
| a 11 | Genl | | 703,761 | | | |
| - | Special | | 4,016,428 | | 81,957 | |
| | Securities (Long Positions) Open Positions not Collateral to Demand Notes Contributed by Capital | | | | | |
| P. 6 | J. W. Allen - (Control Stock ?) Systems Eng Lab | 7200 | 34⅜ | 39 | 278,100 | 248,000 |
| P. 6 | J. W. Allen - Collateral Pledged by Wm. Kozial Systems Eng Lab | 11,400 | 34⅜ | 39 | 431,600 | 553,200 |
| | | | | | 3,475,600 | 3,033,500 |

| | Market Prices 1-30-70 | 3-28-70 | |
|---|---|---|---|
| Chemicals | 1.0 | 1.1 | |
| Du Pont | 97 | 1.0 | |
| General Motors | 1.4 | 1.3 | |
| Univac | 11 | 17 | |
| Systems Eng Lab | 39 | 34 | |

PROSPECTUS

129,000 Shares

# Systems Engineering Laboratories Incorporated

Common Stock
($1 Par Value)

Of the above shares 50,000 are being sold by the Company and 79,000 are being sold by certain Selling Stockholders (see "Principal and Selling Stockholders"). The Company will receive no part of the proceeds of the sale by the Selling Stockholders. The closing low bid and high asked prices in the over-the-counter market for the Common Stock of the Company on November 15, 1967 were $45 and $48¼, respectively (see "Price Range of Common Stock").

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

| | Price to Public | Underwriting Discounts and Commissions | Proceeds to Company (1) | Proceeds to Selling Stockholders (1) |
|---|---|---|---|---|
| Per Share | $44.00 | $3.00 | $41.00 | $41.00 |
| Total | $5,676,000 | $387,000 | $2,050,000 | $3,239,000 |

(1) Before deduction of expenses payable by the Company and by the Selling Stockholders estimated at $25,500 and $40,000, respectively.

The shares of Common Stock are offered hereby, subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the Underwriters, to the approval of their counsel, and of counsel to the Company and the Selling Stockholders, and to certain further conditions. It is expected that delivery of the shares will be made at the offices of Lehman Brothers, One William Street, New York, N. Y. 10004, on or about November 22, 1967, against payment therefor in New York funds.

The Underwriters named herein include:

Lehman Brothers — C. E. Unterberg, Towbin Co.

The date of this Prospectus is November 16, 1967.

On October 14, 1967 all officers and directors, as a group, held the following options under the Plan:

| Number of Shares Covered by Option(1) | Date of Grant | Option Price Per Share(2) | Market Value on Date of Grant(1)(2) | Expiration Date of Unexercised Options |
|---|---|---|---|---|
| 7,920 | 12/17/63 | $2.386 | $1.818 | 12/17/73 |
| 1,584 | 12/17/63 | 2.386 | 1.818 | 12/17/68 |
| 1,760 | 12/ 3/64 | 4.545 | 4.545 | 12/ 3/69 |
| 500 | 8/18/66 | 6.000 | 6.000 | 8/18/71 |
| 6,000 | 9/15/66 | 5.625 | 5.625 | 9/15/71 |

(1) As adjusted to reflect a 1.2 on one stock distribution made September 4, 1965.

(2) As determined by Board of Directors prior to March, 1966, thereafter as determined in relation to the over-the-counter market price.

Notwithstanding the foregoing and for the purpose of qualifying the shares offered hereby for sale under the securities law of Florida and so long as the Florida Securities Commission shall maintain its position in this respect, the Company has agreed that under its present option program it will not grant any options if such grant would result in there being outstanding options covering a total number of shares in excess of 10% of the then outstanding shares of Common Stock.

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth as of October 15, 1967, the holdings of Common Stock of the Company by the only person who owns more than 10% of the outstanding Common Stock, another stockholder for whose account shares are offered hereby, and all officers and directors as a group. Ownership in all cases was both of record and beneficial except as noted.

| | Owned Prior to this Offering | | | To be Owned After this Offering | |
|---|---|---|---|---|---|
| Name | Shares Owned | Percent of Class | Shares to be Sold | Shares Owned | Percent of Class |
| John W. Allyn ..... 122 South La Salle Street Chicago, Illinois | 118,800(a) | 12.4% | 54,400 | 64,400(a) | 6.4% |
| A. G. Randolph ..... | 79,717 | 8.3% | 24,600 | 55,117 | 5.5% |
| All officers and directors as a group (9 persons) ..... | 136,000(a)(b) | 14.2% | 24,600 | 111,840(a)(b) | 11.2% |

(a) Includes 4,400 shares owned of record by Mr. Allyn as nominee for William R. Hambrecht, a director of the Company.

(b) All such shares are owned beneficially and of record except the shares referred to in (a). The above tabulation does not include 760 shares owned by a partnership in which Robert A. McCabe has a ⅓ share; 1,294 shares owned by the wives of four officers or directors; 105 shares owned of record by an officer of the Company as custodian for his children; 22,543 shares owned beneficially by C. E. Unterberg, Towbin Co. of which Mr. Belmont Towbin is a partner; or any shares held in the trading account of C. E. Unterberg, Towbin Co.

Of the shares owned by Mr. Allyn, 45,000 shares (which became 99,000 shares by reason of the Company's 1.2 on 1 stock distribution in September, 1965) were acquired by him for $45,000 on June 23, 1963, upon the exercise of warrants issued to him in June 1962. The warrants were issued under a loan

agreement (which fixed the exercise price of the warrants) pursuant to which Mr. Allyn loaned the Company $250,000 evidenced by the Company's 6% Subordinated Debentures due June 1970. The balance of such shares were purchased by Mr. Allyn in private transactions in 1963. A. G. Randolph acquired his shares pursuant to his original stock subscription in 1961. The number of shares so acquired was adjusted by the Company's 1.2 on 1 stock distribution in September 1965.

## DESCRIPTION OF COMMON STOCK

The only authorized stock of the Company is its Common Stock. Stockholders are entitled to one vote per share held, have no preemptive rights, and are entitled on liquidation to share pro rata in assets available for distribution. The outstanding shares of Common Stock are, and the shares being sold by the Company will be, on payment for and delivery thereof, fully paid and non-assessable. The Company's Revolving Credit Agreement with two banks permits payment of cash dividends with the prior written approval of the banks. The Company's loan agreement with The Industrial Development Corporation of Florida, which will be terminated on payment of the Company's outstanding indebtedness to that corporation from the proceeds hereof (see "Use of Proceeds"), also places certain limitations on the payment of cash dividends. Subject to these limitations, the holders of Common Stock are entitled to receive such dividends as may be declared by the Board of Directors out of any funds of the Company legally available therefor.

Morgan Guaranty Trust Company of New York and The First National Bank of Miami are the Transfer Agents and Registrars of the Common Stock.

### Non-Cumulative Voting

These shares do not have cumulative voting rights which means that the holders of more than 50% of the shares voting for the election of directors can elect 100% of the directors if they choose to do so, and in such case, the holders of the remaining less than 50% of the shares voting for the election of directors will not be able to elect any person or persons to the Board of Directors.

### Reports to Stockholders

The Company furnishes to its stockholders annual reports containing certified financial statements and quarterly reports containing unaudited condensed financial statements.

## UNDERWRITING

In the Underwriting Agreement, the several Underwriters, represented by Lehman Brothers and C. E. Unterberg, Towbin Co., have agreed severally, subject to the terms and conditions therein set forth, to purchase from the Company and the Selling Stockholders the respective numbers of shares of Common Stock set forth below. The Underwriters are committed to take and pay for all the shares of Common Stock offered hereby if any are taken.

The names and addresses of the several Underwriters and the respective numbers of shares of Common Stock to be purchased by each of them are as follows:

SYT **Systems Engineering** 9333

| Stock— | Price Feb. 1970 | Dividend | Yield |
|---|---|---|---|
| COMMON | 41 | None | None |

**STOCK APPRAISAL:** The company designs, manufactures and sells computer controlled data measurement and processing systems, and small-to-medium size high-speed digital computers and peripheral equipment. In January 1970, directors of the company and Spectral Dynamics approved the merger of Spectral into Systems on the basis of 0.628 share of Systems for each share of Spectral. Spectral's instrumentation capability should augment SYT's systems prowess. The merger is subject to approval of shareholders.

## THE COMPANY'S POSITION

The company designs, manufactures and sells computer controlled data measurement and processing systems, the various components of such systems, and small-to-medium size high-speed digital computers with peripheral equipment. The company's systems and computers are used in industrial research and process control, Government research and test programs, and independent scientific applications.

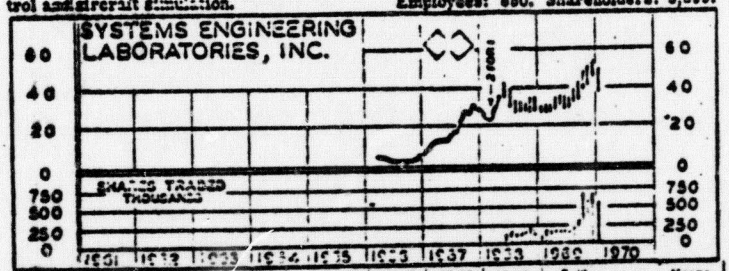
A typical company computer system is designed to measure physical data, process the data, and yield output-control signals for the process or test being monitored. The company also sells the individual products which comprise these systems such as circuit modules, multiplexers, analog-digital conversion devices and computers. The largest markets for these products sold alone have been aerospace, gas chromatography, process control and aircraft simulation.

The company's digital computers and peripheral equipment are used in real-time and off-line environments. The line of peripheral equipment includes card and tape readers, line printers, cathode ray tube displays, magnetic tape systems and bulk storage discs.

Research and development expenditures, averaging above 10% of sales in recent years, are expensed as incurred. Government billings declined from 64% of total revenues in fiscal 1968 to 61% in fiscal 1969 while the Government's contribution to the backlog fell from 73% to 33%.

In fiscal 1967-8, SELCAN Ltd. (100% owned) was formed to market and service the company's products in Canada. A leasing subsidiary was formed in the same year to handle a limited number of equipment leases.

Employees: 850. Shareholders: 3,395.




| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Sales | ---- | 1.01 | 2.10 | 3.07 | 5.15 | 6.19 | 13.03 | 12.03 | 7.40 | ---- | Years |
| *Net Inc. | 0.13 | 0.04 | 0.1 | 0.14 | 0.27 | 0.23 | 1.10 | 1.00 | 1.45 | ---- | Ended |
| *Pretax | 0.27 | 0.11 | 0.1 | 0.14 | 0.23 | 0.21 | 1.18 | 0.99 | 0.79 | ---- | |
| Div'ds. | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | ---- | Calendar |
| Price | ---- | ---- | ---- | ---- | ---- | ---- | 31-4 | 42-20 | 93-25 | 49-31 | Years |

*Million $. adj. for 100-for-1 sth. split in 1963, 1.2-for-1 sth. dist. in 1965 & 2-for-1 split in 1966. †53 wks. dDefinit.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## 9333 SYSTEMS ENGINEERING LABORATORIES, INCORPORATED

### EARNINGS AND BALANCE SHEET POSITION

Annual Report— Consol. Income Account.

| Yrs. End.: Thou. $ | Jun. 27'69 | Jun. 28'68 |
|---|---|---|
| Net Sales | 17,2[illegible] | 12,[illegible] |
| Cost & exps. | 14,[illegible] | [illegible] |
| Oper. income | 3,[illegible] | 2,141 |
| Depreciation | [illegible] | 220 |
| Fed. inc. tax | 231 | 1[illegible] |
| Defr. Fed. inc. tax | 1,147 | 834 |
| Interest exp. | 168 | 62 |
| Net income | 1,483 | 838 |
| Sh. Earns.: | | |
| †As reported | $0.79 | $0.60 |
| Quasi | 0.63 | 0.43 |

*As computed by S&P on shs. outstg. at end of each year: 1968 - 2,010,048; 1968 - 2,048,510.
†Based on avgs. shs. outstg.

Consol. Balance Sheet Thou. $

| Assets— | Jun. 27'69 | Jun. 28'68 |
|---|---|---|
| Cash | 678 | 837 |
| Accts. rec. | 6,211 | 2,823 |
| Inventories | 7,[illegible]22 | 4,[illegible]16 |
| Tot. curr. assets | 13,[illegible]10 | 7,881 |
| *Net property | 2,139 | 841 |
| Leased equip., net | 212 | 201 |
| Other assets | 228 | 160 |
| Total assets | 16,[illegible]66 | 8,763 |
| Liabilities— | | |
| Curr. debt mat. | 426 | — — — |
| Accts. pay. | 1,340 | 1,841 |
| Accruals | 763 | 744 |
| Income taxes | 225 | 196 |
| Defr. inc. taxes | 2,316 | 1,214 |
| Tot. curr. liab. | 5,109 | 3,[illegible]38 |
| Long term debt | 3,876 | 220 |
| Defr. inc. tax | 106 | 62 |
| Com. stk. p. $1 | 2,091 | 2,042 |
| Paid - in surp. | 1,624 | 1,481 |
| Retain. earns. | 2,769 | 1,316 |
| Total liabs. | 15,[illegible]85 | 8,763 |
| Net wkg. cap. | 7,710 | 4,156 |
| †Equity com. shr. | $3.24 | $2.46 |
| *Depr. rte. | 6[illegible] | 4[illegible] |
| †Excl. defr. inc. taxes. | | |

### RECENT DEVELOPMENTS

Revenues for the twenty-four weeks ended December 12, 1969 climbed 30% from the level attained in the corresponding period of the previous fiscal year. Despite the higher volume, margins apparently narrowed on the costs associated with developing the Keyman computer system, designed as a replacement for keypunching operations, and COMPAS, a system which analyzes measurements. Pretax income rose 17.5%. After taxes at 49.0%, against 54.4%, net income was up 31%. The less rapid rise in share earnings, to $0.33, from $0.27, reflected an increase in the average number of shares outstanding.

In January 1970, the boards of directors of both SYT and Spectral Dynamics approved the merger of Spectral into SYT; terms call for SYT to issue 0.325 share for each Spectral share. The agreement is subject to approval of shareholders of both concerns. Spectral, which earned $163,000 on sales of $2 million for the six months ended September 30, 1969, produces electronic instruments and systems used for measurement, data acquisition and structural design.

### DIVIDEND DATA

The common shares were split 1.2-for-1 in 1965-6 and 2-for-1 in 1967-8. No cash dividends have ever been paid.

### CAPITALIZATION

LONG TERM DEBT: $601,000.
COMMON STOCK: 2,352,988 shs. ($1 par).
OPTIONS: To purchase 173,342 shares.

SALES (Million $)

| Period: | 1969-70 | 1968-9 | 1967-8 | 1966-7 |
|---|---|---|---|---|
| 12Wk.Sep. | 4.25 | 3.04 | 2.53 | 1.83 |
| 24Wk.Dec. | 9.14 | 7.05 | 5.54 | 2.75 |
| 36Wk.Mar. | | 11.14 | 8.24 | 4.84 |
| 52Wk.Jun. | | 17.30 | 12.03 | [3]8.02 |

[1]COMMON SHARE EARNINGS ($)

| Period: | 1969-70 | 1968-9 | 1967-8 | 1966-7 |
|---|---|---|---|---|
| 12Wk.Sep. | 0.14 | 0.11 | 0.09 | 0.03 |
| 24Wk.Dec. | 0.33 | 0.27 | 0.21 | 0.04 |
| 36Wk.Mar. | | 0.44 | 0.35 | 0.09 |
| 52Wk.Jun. | | 0.70 | 0.50 | [2]0.16 |

[1]Adj. for 2-for-1 stk. split in 1968. [2]53 weeks.

INCORPORATED in Florida in 1961. OFFICE—6901 W. Sunrise Blvd., Fort Lauderdale, Fla. 33313. PRES—S. P. Eglash. SECY & TREAS—C. S. James. DIRS—A. G. Randolph - Chrmn, S. P. Eglash, E. S. Commander, K. G. Harris, C. S. James, R. A. McCabe, C. K. Orr, P. D. Thomson, R. Towbin, T. J. Walker. TRANSFER AGENT & REGISTRAR—Morgan Guaranty Trust Co., NYC.

Information has been obtained from sources believed to be reliable, but its accuracy and completeness, and that of the opinions based thereon, are not guaranteed.

System Eng Lab

Jimmie Pittman

Jimmie - Close 3/23/70 - 34 3/8

63 TRADING & INVESTMENT ACCOUNT

1. 30.9.70

| | | Debit | Long | Short | Capital Claimed |
|---|---|---|---|---|---|
| 10 | A Losses Realised | 6975918 | | | |
| 11 | Exempt Sec | | | | |
| | b Debenture & Mortgage Stocks | | 7110600 | | .00 |
| | c " Loans | | 1880800 | | 7945000 |
| | d " Overseas | | 6037000 | | 1345000 |
| | e U.K. Govt | | 1678793 | 9931645 | 11900036 |
| | f Other Exempt Sec | | 1678337 | 1703030 | 1400000 |
| | Non-Exempted Securities | | | | |
| | A Other Non-Ex | | 11006334 | 6915690 | 7633705 |
| | b Convertible Debentures | | 914514 | 1081800 | — |
| | | 6975918 | 82455793 | 17029835 | 32610284 |
| | | | 1743435 | | |
| | | 6975918 | 64712358 | | |
| | NET LOSS | 6975918 | | | |

64 COMMENTS RE A-1 COMPUTATION
AS OF 3-13-70

| ITEM NO | | | |
|---|---|---|---|
| 1 | OPERATING CHARGES AGAINST CAPITAL | | |
| 2 | | | |
| 3 | 1 POSITIONS - INVENTORY | | 46.50 |
| 4 | | | |
| 5 | | | |
| 6 | SHOW FORM A-1 H.T 3.26 | | |
| 7 | 18TH IS PENALTY COMPUTED ? | | |
| 8 | | | |
| 9 | | | |
| 10 | CONTRACTUAL COMMITMENT | | 288 |
| 11 | | | |
| 12 | A-1 H.T AS OF WHAT DATE ? | | |
| 13 | | | |
| 14 | | | |
| 15 | ERROR ACCOUNTS | | 250 |
| 16 | | | |
| 17 | REALIZED LOSS ? | | |
| 18 | | | |
| 19 | FAIL LIQUIDATION ACCOUNTS | | 1021 |
| 20 | | | |
| 21 | REALIZED LOSS ? | | |
| 22 | | | |
| 23 | IMPRESSION ENTERED BY ML CONT. LG THAT FAILS TO | | |
| 24 | DELIVER - RECEIVE PUT IN ONE ACCOUNT AND ITEMS | | |
| 25 | HAD BOTH CLOSED UP. | | |
| 26 | | | |
| 27 | | | |
| 28 | FAIL TO DELIVER OVER 90 DAYS. | | 531 |
| 29 | | | |
| 30 | NATURE OF ITEM | | |
| 31 | | | |
| 32 | | | |
| 33 | EXCHANGE ACCOUNT IF 5% | | 394 |
| 34 | NATURE OF ITEM. | | |
| 35 | | | |
| 36 | | | 3432 |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | | | |
| 44 | | | |
| 45 | | | |
| 46 | | | |
| 47 | | | |

COMPARATIVE REC. P-1 COMPUTATION
AS OF 3-13-70

| ITEM No. | OPERATING CHARGES INCIDENT CONSTR. | | | |
|---|---|---|---|---|
| 1 | CUSTOMERS SECURITIES - UNDEPOSITED DEPOSITS | | | 1906 |
| 2 | UNDERAGE SHORTS | | | 1813 |
| 3 | POSTAGE FOR | | | 45 |
| 4 | CASH ADVANCED TO MARGIN | | | 630 |
| 5 | LESS REC FOR END OF MO | | | (560) |
| 6 | | | | |
| 7 | | | | 3636 |
| 8 | | | | |
| 9 | | | | |
| 10 | CURRENT STATUS | | | |
| 11 | UNDERAGES SHORTS NOT REPORTED ON SHORT FORM 1-30-70 | | | |
| 12 | | | | |
| 13 | 2 CUSTOMERS COMMODITIES 1-30-70 | | | 1735 |
| 14 | | | | |
| 15 | CURRENT FIGURE | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | 4 DIV. AND INT. ACCOUNTS | | DR | SHORT |
| 19 | | | | |
| 20 | Q 18. 1 CURRENT (0 TO LESS THAN 30 DAYS) | | 45539.44 | 31755.93 |
| 21 | | | | |
| 22 | 3 OTHER | | 3417.33 | 1988.10 |
| 23 | | | | |
| 24 | P-1 COMPUTATION PICKS UP ONLY ITEM 3 | | | |
| 25 | | | | |
| 26 | WHAT IS CURRENT STATUS | | | |
| 27 | SHOULD SHORT POSITION UNDER 30 DAYS | | | |
| 28 | BE PICKED UP? | | | |
| 29 | | | | |
| 30 | | | | |
| 31 | 5 FAILS TO DELIVER 31-90 DAYS | | | 445 |
| 32 | 1-31-70 PW.9 | | | |
| 33 | | | | |
| 34 | CURRENT STATUS. | | | |
| 35 | | | | |
| 36 | | | | |
| 37 | | | | |
| 38 | 6 INVESTMENT IN SUBSIDIARIES | | | 9067 |
| 39 | LESS EXCESS CAPITAL FROM SUB. | | | (7334) 445 |
| 40 | | | | |
| 41 | | | | |
| | SHORT FORM APPEARS NOT TO COMPLY WITH | | | |
| | RULES 320 & 322. | | | |
| | (1) NOTE BALANCE SHEET | | | |
| | (2) COMPUTATION OF EXCESS CAPITAL (EXCESS NET SUB. INV. | | | |
| | MR CHRISTIE SAID THAT FIRM HAS COMPLIED WITH THIS RULE | | | |

65 COMMENTS RE A-1 COMPUTATION
AS OF 3-31-70

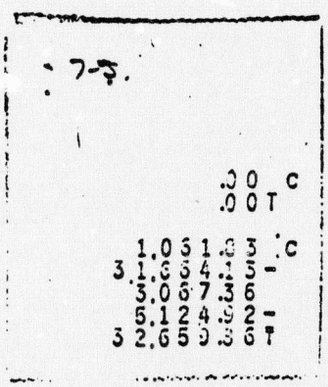
| ITEM NO | | | | | |
|---|---|---|---|---|---|
| | OPERATING CHANGES ITEMIZE CAPITAL | | | | |
| 6 | INVESTMENT IN SUBSIDIARIES | | | | |
| | INTER WRIGHT REPORT Sch A Page 2 of 2 | | | | |
| | CASH CAPITAL CORPORATION | | | | |
| | CAPITAL STOCK | | | | 3195000 |
| | RETAINED EARNINGS | | | | [illegible] |
| | SOA BORROWINGS | | | | 1-[illegible] |
| | DEFERRED ACCT. | | | | 10-[illegible] |
| | | | | | [illegible] |
| 7 | OTHER NON CURRENT ASSETS | | | | [illegible] |
| | DETAILS? | | | | |
| | | Sheet Date | A-1 | | |
| | | 1-[illegible] | 3-31-70 | 12-31-69 | [illegible] |
| | MISCELLANEOUS CURRENT ASSETS | | | [illegible] | [illegible] |
| | NONMARKETABLE - NET VALUE | 1810 | | 3483 | 3[illegible] |
| | FURNITURE & FIXTURES (Supplied by Lessee) | [illegible] | | [illegible] | [illegible] |
| | PREPAID EXPENSES | | | 133 | [illegible] |
| | INVEST IN SOB (Equity [illegible]) | [illegible] | [illegible] | [illegible] | [illegible] |
| | MISCELLANEOUS | | [illegible] | [illegible] | [illegible] |
| | | [illegible] | [illegible] | | |
| | FEDERAL INT INC | [illegible] | | | |
| | COMM REC | 1.80 | [illegible] | | |
| | | | [illegible] | [illegible] | [illegible] |

Comments re: A-1 Computation
Mo of 7-31-70

| ITEM NO | | A-1 3-31-70 | SHORT FORM 1-30-70 | 12-31-69 | 6-30-69 |
|---|---|---|---|---|---|
| 1 | A-1 ITEMS | | | | |
| 2 | | | | | |
| 3 | 1&2 Moody Bankers | | | | |
| 4 | 02 Customers | 15,256 | 16,141 | 14,198 | 11,620 |
| 5 | | | | | |
| 6 | 03 Firm | | 5,630 | | |
| 7 | | | | | |
| 8 | — Sec Sold subject to | | | | |
| 9 | Repurchase Agreement | | 2,043 | 1,993 | 1,801 |
| 10 | | | | | |
| 11 | — Bank Drafts | 1,594 | 1,587 | | |
| 12 | | | | | |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |
| 21 | | | | | |
| 22 | Sec Sold Sub to Repurchase Agreement Method of Recording | | | | |
| 23 | | | | | |
| 24 | | | | | |
| 25 | Method of Recording Bank Drafts | | | | |
| 26 | Any Delay in Recording - Same Day | | | | |
| 27 | | | | | |
| 28 | | | | | |
| 29 | | | | | |
| 30 | | | | | |
| 31 | | | | | |
| 32 | | | | | |
| 33 | | | | | |
| 34 | | | | | |
| 35 | | | | | |
| 36 | | | | | |
| 37 | | | | | |
| 38 | | | | | |
| 39 | | | | | |
| 40 | 3 Stock Loans - Cust | 11,310 | 10,519 | 9,647 | 11,457 |
| 41 | | | | | |
| 42 | | | | | |
| 43 | | | | | |
| 44 | | | | | |
| 45 | 4 Failure to Receive Cust | 2,744 | 2,333 | 2,148 | 2,553 |
| 46 | | | | | |
| 47 | | | | | |

COMMERCE AC A-1 COMPUTATION
AS OF 8-31-70

| ITEM No | A-1 SHEET FORM 8-31-70 | 1-30-70 | 12-31-69 | 9-30-68 |
|---|---|---|---|---|
| A-1 ITEMS | | | | |
| CUSTOMERS' SEC ACCTS | | | 84396 | 88443 |
| Q C4 SECURED ACCTS | | 11393 | | |
| 5 ACCTS IN DEFICIT | | (195) | NO SHEET POSITIONS AFTER ITEM 4 FOR THESE ITEMS | |
| C ACCTS WITH FREE CR | 50373 | 44439 | | |
| SHORT CR | 10176 | | | |
| 10 D JOINT ACCT. LOSS | | (100) | | |
| 7 S CUSTOMERS' CONSTR ACCTS | | | | |
| N-3 NON REG T0 AN EQUITY | | 3446 | | |
| 20 N-2 NON REG FREE CR | | 1164 | | |
| 7 DEMATS FOR IMMEDIATE CR | 6116 | | | |
| B 11 B | | 2311 | | |
| METHOD OF RECORDING | | | | |


7-5.
.00 C
.00 T
1.0 3 1 . 3 C
3 1.6 3 4 . 5 -
3.0 6 7 .3 6
5.1 2 4 .6 2 -
3 2.6 5 9 .3 6 T

.62° Comparative A-1 Computation
as of 2-21-70

| ITEM No | | 1 A-1 2-21-70 | 2 Silbert Foam 1-30-70 | 3 12-31-69 | 4 4-30-69 | |
|---|---|---|---|---|---|---|
| 1 | A-1 Items | | | | | 1 |
| 2 | | | | | | 2 |
| 3 | & Miscellaneous Payable | 15299 | | | | 3 |
| 4 | | | | | | 4 |
| 5 | | | | | | 5 |
| 6 | Dividends Int Payable | | 6918 | 5175 | 3616 | 6 |
| 7 | | | | | | 7 |
| 8 | Taxes Payable, Federal | | 594 | 644 | 414 | 8 |
| 9 | | | | | | 9 |
| 10 | Commissions Payable | | 341 | 325 | 262 | 10 |
| 11 | | | | | | 11 |
| 12 | Miscellaneous Current Liab. | | 4450 | 7143 | 8955 | 12 |
| 13 | | | | | | 13 |
| 14 | | | | | | 14 |
| 15 | | | | | | 15 |
| 16 | | | 12903 | 13415 | 13496 | 16 |
| 17 | | | | | | 17 |
| 18 | | | | | | 18 |
| 19 | | | | | | 19 |
| 20 | | | | | | 20 |
| 21 | | | | | | 21 |
| 22 | | | | | | 22 |
| 23 | | | | | | 23 |
| 24 | | | | | | 24 |
| 25 | | | | | | 25 |
| 26 | | | | | | 26 |
| 27 | | | | | | 27 |
| 28 | | | | | | 28 |
| 29 | | | | | | 29 |
| 30 | | | | | | 30 |
| 31 | | | | | | 31 |
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GW CONNORS RE A-1 COMPUTATION
FILE OF 3-10-70

| | | LONG | SHORT |
|---|---|---|---|
| | VALUATION OF SECURITY CREDIT DIFFERENCES | | |
| | SHORT ITEM 8.1 | 1167 | 990V |
| | ITEMS NOT PICKED UP IN A-1 COMPUTATION | | |
| | WITHIT AND TIME CURRENT FIGURES | | |
| | VARIOUS STOCK BONDS MUTUALS | | |
| | SPECIFIC QUOTATION & ITEM 5 | 936 | 1V6.4 |
| | INCLUDED IN CAPITAL COMPUTATION? | | |
| | CURRENT STATUS | | |
| | ITEM 9 | DR | SHORT |
| | VARIOUS BUSINESS ASSETS | 967 | 477 |

69

# Capital Computation

3/12/70

| | | 1 E.I. duPont Municipals | 2 E.I. duPont A.C. & Inv. | 3 Depmt | 4 Cash Capit. Combined |
|---|---|---|---|---|---|
| Credit Items | | | | | |
| Capital Stock Pfd | | | 1270482 | | 1270482 |
| Capital Stock Com. | (1) | 175000 | 600000 | 175000 | 600000 |
| Subord. Loan | (2) | | 1250000 | 1250000 | |
| Subord. 6½ Notes | (3) | | 1425000 | | 1425000 |
| Retained Earnings | | 108146 | 443693 | | 551839 |
| Profits 1970 | | 22518 | 21710 | | 44228 |
| Securities Long Firm | | 49195 | | | 49195 |
| Securities Long (Sub. of RID Municipals Inc.) | | | 70402 | 70402 | |
| Total Credit Items | | 1934859 | 5080887 | 3075402 | 5940344 |
| Debit Items | | | | | |
| Debit Balances in Firm A/c | | 60026 | | | 60026 |
| Securities Short | | | | | |
| Accounts Receivable | | | | | |
| Trades Receivable | | 189871 | 18437 | | 208308 |
| Miscellaneous Expense | | 2521 | 3338 | | 5879 |
| Fails to Deliver Charges | | | | | |
| Investment in Subsidiaries | (1) | | 1425000 | 1775000 | |
| Subordinated Loan to RID & CA | (2) | 1250000 | | 1250000 | |
| Penalty Charges on Secs. | | | | | |
| Debit Balances in Sub. Com | | | 75000 | 75000 | |
| Underwriting Commitments | | | 113013 | | 113013 |
| Total Debit Items | | 1502418 | 1434788 | 3080002 | 3017208 |
| Net Capital | | 432441 | 3646099 | 4598 | 2923136 |
| Aggregate Indebtedness | | | | | |
| Accounts Payable | | 5013 | 254023 | | 259036 |
| Taxes Payable | | | 3997 | | 3997 |
| Total A.I. | | 5013 | 258020 | | 263033 |
| 8⅓% of A.I. | | 2501 | 21501 | | 24002 |
| Excess Capital | | 430140 | 3088150 | 4598 | 2899134 |
| Deduct Additional Charges for the Difference between Inv's and Sec for Security Positions | | 6000 | | | 6000 |
| Minimum Capital Needs | | | | | |
| Subordinated Notes | (3) | | 1425000 | | 1425000 |
| | | | | | |
| | | | | | |
| Value of Stock Allotted to Francis I. duPont & Co. for Capital Contribution | | | | | |

20 February 1970 — Mr. [illegible] the Consolidated Asset Accts
Mr. [illegible] Public Relations Client to accept this assignment
as a consultant 2

| | | | Combined Cr. Balances |
|---|---|---|---|
| Credits | | Combined. | |
| Credits | 713 Fort Lee Office | Capital Stock Pfd. | (1) $ 1,370,280 |
| " | " | " Common | 600,000 |
| " | " | Retained Earnings | 443,693 |
| " | 717 - Municipal | " " | 108,146 |
| " | FID - Ft Lee Office | 1970 Profits | 21,710 |
| " | 717 - Municipal | " | 22,518 |
| " | FID | Securities Loss | 49,595 |
| | | Net Credits | 2,515,942 |
| Debits | | Securities Unit (6/3 $960) | 6000 |
| | 717 Mun. | Debit Bal Municipals | 60006 |
| | | Long Accounts | 206,363 |
| | | Misc Exp | 5879 |
| | | Investments Common Stocks | 113,013 |
| | | Net Debits | 393,241 |
| Net Capital | | Net Capital | 2,122,701 |
| Cr. | | Accts Pay | 601,036 |
| | | Taxes Payable | 3992 |
| | | | 619,028 |
| | | 5% Tax | 30,602 |
| | | Excess | 2,092,099 |

Deft. H&S Ex. A, pp. 744a - 747a

p. 744a

November 13, 1968

Francis I. duPont & Co.,
One Wall Street,
New York, New York 10005.

Attention of Mr. Milton A. Speicher

Dear Sirs:

We enclose two copies of a letter, in the form prescribed by the New York Stock Exchange, as to your engagement of us as independent public accountants to make an examination of your answers to its financial questionnaire as of a date to be selected by us during the year 1969. One of these is for your files; the other is for transmittal by you to the New York Stock Exchange.

Our examination will be made in accordance with generally accepted auditing standards and with the audit regulations of the New York Stock Exchange and will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances in relation to the assets, liabilities, and capital at the date selected. As required by such audit regulations, as well as the regulations of the Securities and Exchange Commission, the examination will include a review of the accounting system, the internal accounting control, and procedures for safeguarding securities including appropriate tests thereof.

The purpose of such examination will be to enable us to express an opinion to the effect that the answers to the questionnaire present fairly your financial position at the date selected, in conformity with generally accepted accounting principles, and to comply with the aforesaid regulations. It will not include tests and other auditing procedures in relation to the cash receipts and disbursements, transactions in securities and commodities, entries in customers' accounts (including closed accounts), and income and

expense accounts, for the year or other period ending on the date selected except as considered appropriate in the review of the accounting system, the internal accounting control, and procedures for safeguarding securities, indicated above. Although the examination could disclose certain types of errors or other irregularities or inadequacies, it cannot be relied upon to disclose any or all such situations.

We wish to express our thanks for the opportunity of being of service to you.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

B/C - Executive Office

HVP:SC

November 13, 1968

Francis I. duPont & Co.,
One Wall Street,
New York, New York 10005.

Dear Sirs:

You have selected us to conduct an audit of your affairs as of a date during the calendar year 1969, in accordance with the audit regulations of the New York Stock Exchange, and to prepare an answer to its financial questionnaire based upon such audit.

We agree

(1) To make an audit of the affairs of your Firm as of a date during the calendar year 1969 to be selected by us without prior notice to your Firm, in accordance with the audit regulations of the New York Stock Exchange;

(2) to notify the Department of Member Firms promptly that the audit has been commenced;

(3) to prepare an answer to its financial questionnaire based upon such audit;

(4) to submit to the Department of Member Firms a copy of such answer accompanied by a signed attestation in form prescribed by the Exchange;

(5) to submit to the Department of Member Firms a signed copy of our report with the answers to the financial questionnaire which will include an attest that the requirements of the audit regulations have been observed in the conduct of the audit and such report shall also include, specifically, the following:

(a) A comment that we have made a review of your accounting system, internal accounting controls and procedures for safeguarding securities including appropriate tests thereof for the period since the prior examination date, and

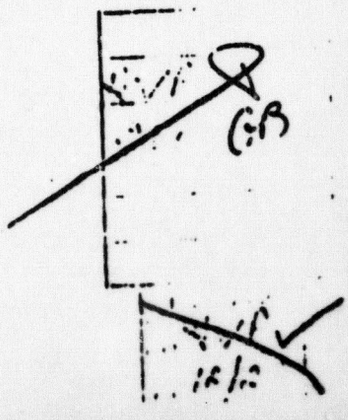
(b) Comments relative to any material inadequacies found to exist in the accounting system, internal accounting controls and procedures for safeguarding securities, and shall indicate any corrective action taken or proposed. (If any comments are made, they may be submitted in a supplementary report accompanying the answers to the financial questionnaire.)

Yours very truly,

(Signed) Haskins & Sells

B/C - Executive Office

HVP:SC



Deft. H&S Ex. B, pp. 748a - 751a

p. 748a

December 18, 1969

Francis I. duPont & Co.,
One Wall Street,
New York, New York 10005.

Attention of Mr. Milton A. Speicher

Dear Sirs:

We enclose two copies of a letter, in the form prescribed by the New York Stock Exchange, as to your engagement of us as independent public accountants to make an examination of your answers to its financial questionnaire as of a date to be selected by us during the year 1970. One of these is for your files; the other is for transmittal by you to the New York Stock Exchange.

Our examination will be made in accordance with generally accepted auditing standards and with the audit regulations of the New York Stock Exchange and will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances in relation to the assets, liabilities, and capital at the date selected. As required by such audit regulations, as well as the regulations of the Securities and Exchange Commission, the examination will include a review of the accounting system, the internal accounting control, and procedures for safeguarding securities including appropriate tests thereof.

The purpose of such examination will be to enable us to express an opinion to the effect that the answers to the questionnaire present fairly your financial position at the date selected, in conformity with generally accepted accounting principles, and to comply with the aforesaid regulations. It will not include tests and other auditing procedures in relation to the cash receipts and disbursements, transactions in securities and commodities, entries in customers' accounts (including closed accounts), and income and

Francis I. duPont & Co. December 18, 1969

p. 749a

expense accounts, for the year or other period ending on the date selected except as considered appropriate in the review of the accounting system, the internal accounting control, and procedures for safeguarding securities, indicated above. Although the examination could disclose certain types of errors or other irregularities or inadequacies, it cannot be relied upon to disclose any or all such situations.

We wish to express our thanks for the opportunity of being of service to you.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

B/C - Executive Office

EJL:CAF

BY HAND

December 18, 1969

Francis I. duPont & Co.,
One Wall Street,
New York, New York 10005.

Dear Sirs:

You have selected us to conduct an audit of your affairs as of a date during the calendar year 1970, in accordance with the audit regulations of the New York Stock Exchange, and to prepare an answer to financial questionnaire based upon such audit.

We agree

(1) to make an audit of the affairs of your Firm as of a date during the calendar year 1970, to be selected by us without prior notice to your Firm, in accordance with the audit regulations of the New York Stock Exchange;

(2) to notify the Department of Member Firms promptly that the audit has been commenced;

(3) to prepare an answer to its financial questionnaire based upon such audit;

(4) to submit to the Department of Member Firms a copy of such answer accompanied by a signed attestation in form prescribed by the Exchange;

(5) to submit to the Department of Member Firms a signed copy of our report which will include an attest that the requirements of the audit regulations have been observed in the conduct of the audit and such report shall also include, specifically, the following:

Francis I. duPont & Co. December 18, 1969

p. 751a

(a) A comment that we have made a review of your accounting system, internal accounting control and procedures for safeguarding securities, including such tests thereof for the period since the prior examination date as we considered necessary in the circumstances; and

(b) Comments relative to any material inadequacies found to exist in the accounting system, internal accounting control and procedures for safeguarding securities, and shall indicate any corrective action taken or proposed. (If any comments are made with respect to this item (b), they may be submitted in a supplementary report accompanying the answers to the financial questionnaire.)

Very truly yours,

(Signed) Haskins & Sells

B/C - Executive Office

EJL:CAF

BY HAND

Deft. H&S Ex. C

p. 752a

October 2, 1968

Securities and Exchange Commission,
26 Federal Plaza,
New York, New York 10006.

Dear Sirs:

Enclosed herewith are two copies of our comments relative to any material inadequacies found to exist in our client, Francis I. duPont & Co., in the accounting system, internal accounting control, and procedures for safeguarding securities with indication as to any corrective action taken or proposed.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

HVP:sc

GB

Exh

Deft. H&S Ex. D

p. 753a

November 26, 1969

New York Stock Exchange,
Department of Member Firms,
Chief Examiner,
Four New York Plaza,
New York, New York 10004.

Dear Sirs:

We are enclosing two copies of our report dated November 26, 1969 containing the answers of our client, Francis I. duPont & Co., to a New York Stock Exchange questionnaire as of September 28, 1969. Included with the report is their letter of attestation, addressed to you, which we have signed.

We are also enclosing, at the request of our client, subsidiary financial statements and your New York Stock Exchange letter of June 10, 1969.

Included herewith is a copy of the listings of details of "fails" outstanding thirty days and longer at September 28, 1969.

Our report concerning material inadequacies in the accounting system, internal accounting control, and procedures for safeguarding securities will be sent under separate cover.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

HVP:SC

B/C - Francis I. duPont & Co.

BEST COPY AVAILABLE

Ex. E

Deft. H&S Ex. E

p. 754a

November 26, 1969

Securities and Exchange Commission,
26 Federal Plaza,
New York, New York 10007.

Dear Sirs:

In order that our client, Francis I. duPont & Co., may comply with the requirements of Rule 17 -5, we are enclosing two copies of our report, bound in two parts, dated November 26, 1969 relating to our examination of their accounts as of September 28, 1969. Part I of this report contains an affidavit signed by a member of the Firm.

We are also enclosing a copy of the listings of details of "fails" outstanding 30 days and longer at September 28, 1969.

Our report concerning material inadequacies in the accounting system, internal accounting control, and procedures for safeguarding securities will be sent under separate cover.

Yours very truly,

/s/ Haskins & Sells

Enclosures

HVP:SC

B/C - Francis I. duPont & Co.

BY HAND

4.G

Deft. H&S Ex. G

p. 755a

December 18, 1969

Date changed on copy to SEC only

Securities and Exchange Commission,
26 Federal Plaza,
New York, New York 10007.

Dear Sirs:

On November 26, 1969 we filed on behalf of our client, Francis I. duPont & Co., Answers to Financial Questionnaire as of September 29, 1969.

In order that our client may comply with your telephone request for copies of the Memorandum of Net Capital based on the aforementioned Answers to Financial Questionnaire, we enclose herewith two copies of such Memorandum of Net Capital.

Yours very truly,

(Signed) Haskins & Sells

Enclosures
B/C-Francis I. duPont & Co.
EJL:CAF

EPB Co

BY HAND - Label addressed to the attention of Mr. Zilski.

IN REPLYING PLEASE QUOTE Ex H

240.17a-5

Nov. 28. 1969

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
REGIONAL OFFICE
26 FEDERAL PLAZA
NEW YORK, N.Y. 10007

Hoskins + Sells
Two Broadway
New York. N.Y. 10004

Re: Francis I. DuPont & Co.
One Wall Street
N.Y. 5

Deft. H&S Ex. H
p. 756a

Dear Sirs:

Receipt is acknowledged of a report of the financial condition as of Sept. 26. 1969 of the above noted broker-dealer, which is certified by you and filed pursuant to Rule 240.17a-5 of the General Rules and Regulations under the Securities Exchange Act of 1934.

In connection with such filing, please submit the items checked below:

☐ 1. A notarized affirmation by the broker-dealer(in duplicate) attached to the enclosed copy of the report. /Such affirmation should be to the effect that to the best knowledge and belief of the person making it (a) the financial statement and supporting schedules are true and correct, and (b) that the registrant has no proprietary interest in any account classified in the report as solely that of a customer and that no partner or officer or director thereof has any such interest/.

☐ 2. A duplicate copy of the report with notarized affirmation attached.

☐ 3. A schedule, in duplicate, of securities in firm trading and investment accounts, showing market prices and valuations as of the date of the report.

☒ 4. Copy, Capital Computation in Duplicate

In the event that none of the items has been checked, this letter is to be considered merely as an acknowledgment of the report.

Very truly yours,

KEVIN THOMAS DUFFY
Regional Administrator

EJL
EJD 06

L-018 10-68

Deft. H&S Ex. 1
p. 757a

January 12, 1970

New York Stock Exchange,
Department of Member Firms,
Chief Examiner,
Four New York Plaza,
New York, New York 10004.

Dear Sirs:

Enclosed are two copies of our report concerning material inadequacies in the accounting system, internal accounting control, and procedures for safeguarding securities for our client, Francis I. duPont & Co.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

HVP:SC

B/C - Francis I. duPont & Co.

W.J

Deft. H&S Ex. J

p. 758a

January 12, 1970

Securities and Exchange Commission,
26 Federal Plaza,
New York, New York 10007.

Dear Sirs:

Enclosed are two copies of our report concerning material inadequacies in the accounting system, internal accounting control, and procedures for safeguarding securities for our client, Francis I. duPont & Co.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

HVP:SC

B/C - Francis I. duPont & Co.

Ex. K

Deft. H&S Ex. K

p. 759a

November 25, 1970

New York Stock Exchange,
Department of Member Firms,
Chief Examiner,
Four New York Plaza,
New York, New York 10004.

Dear Sirs:

We are enclosing two copies of our report dated November 25, 1970 containing the answers of our client, F. I. duPont, Glore Forgan & Co., to a New York Stock Exchange questionnaire as of September 27, 1970. Included with the report is their letter of attestation, addressed to you, which we have signed.

We are also enclosing, at the request of our client, unaudited financial statements as of September 30, 1970 of two subsidiaries, together with memorandum computations of net capital under Rule 325, pursuant to the New York Stock Exchange letters of June 19, 1969 and August 13, 1970.

We are also enclosing two copies of the Memorandum of Net Capital of F. I. duPont, Glore Forgan & Co., based on the above Answers to Financial Questionnaire.

Our report concerning material inadequacies in the accounting system, internal accounting control, and procedures for safeguarding securities will be sent under separate cover.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

B/C-F. I. duPont, Glore Forgan & Co.

EJL:CAF

BY HAND

Deft. H&S Ex. L.

p. 760a

November 25, 1970

Securities and Exchange Commission,
26 Federal Plaza,
New York, New York 10007.

Dear Sirs:

In order that our client, F. I. duPont, Glore Forgan & Co., may comply with the requirements of Rule 17A-5, we are enclosing two copies of our report, bound in two parts, dated November 25, 1970 relating to our examination of their accounts as of September 27, 1970. Part I of this report contains an affidavit signed by a member of the Firm.

We are also enclosing two copies of the Memorandum of Net Capital of F. I. duPont, Glore Forgan & Co., based on the above Answers to Financial Questionnaire.

Our report concerning material inadequacies in the accounting system, internal accounting control, and procedures for safeguarding securities will be sent under separate cover.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

B/C-F. I. duPont, Glore Forgan & Co.

FJL:CAF

BY HAND

IN REPLYING PLEASE QUOTE

240.17a-5

Nov. 30, 1970

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
REGIONAL OFFICE
26 FEDERAL PLAZA
NEW YORK, N.Y. 10007

okins + Sells
wo Broadway
w York. N.Y. 10004

Re: J.P. Du Pont, Glore Forgan & Co.
one wall Street
N.Y.

Deft. H&S Ex. M
p. 761a

Dear Sirs:

Receipt is acknowledged of a report of the financial condition as of Sept. 27, 1970 of the above noted broker-dealer, which is certified by you and filed pursuant to Rule 240.17a-5 of the General Rules and Regulations under the Securities Exchange Act of 1934.

In connection with such filing, please submit the items checked below:

☐ 1. A notarized affirmation by the broker-dealer (in duplicate) attached to the enclosed copy of the report. /Such affirmation should be to the effect that to the best knowledge and belief of the person making it (a) the financial statement and supporting schedules are true and correct, and (b) that the registrant has no proprietary interest in any account classified in the report as solely that of a customer and that no partner or officer or director thereof has any such interest/.

☐ 2. A duplicate copy of the report with notarized affirmation attached.

☐ 3. A schedule, in duplicate, of securities in firm trading and investment accounts, showing market prices and valuations as of the date of the report.

☐ 4.

In the event that none of the items has been checked, this letter is to be considered merely as an acknowledgment of the report.

Very truly yours,

Kevin Thomas Duffy

KEVIN THOMAS DUFFY
Regional Administrator

EJL-
EPB

Ex. N

January 13, 1971

Deft. H&S Ex. N

p. 762a

New York Stock Exchange,
Department of Member Firms,
Chief Examiner,
Four New York Plaza,
New York, New York 10004.

Dear Sirs:

We enclose herewith two copies of our report dated November 25, 1970 concerning material inadequacies in the accounting system, internal accounting control, and procedures for safeguarding securities for our client, F. I. duPont, Glore Forgan & Co., as of September 27, 1970.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

B/C-F. I. duPont, Glore Forgan & Co.

EJL:EPB:CAF

BY HAND

Ex. O

January 13, 1971

Deft. H&S Ex. O

p. 763a

Securities and Exchange Commission,
26 Federal Plaza,
New York, New York 10007.

Dear Sirs:

We enclose herewith two copies of our report dated November 25, 1970 concerning material inadequacies in the accounting system, internal accounting control, and procedures for safeguarding securities for our client, F. I. duPont, Glore Forgan & Co., as of September 27, 1970.

Yours very truly,

(Signed) Haskins & Sells

Enclosures

B/C-F. I. duPont, Glore Forgan & Co.

EJL:EPB:CAF

BY HAND

BEST COPY AVAILABLE

Deft. H&S Ex. P, pp. 764a - 767a

p. 764a

November 11, 1969

Hirsch & Co.,
25 Broad Street,
New York, N.Y. 10004.

Attention of Mr. Paul Kohns

Dear Sirs:

We enclose two copies of a letter, in the form prescribed by the New York Stock Exchange, as to your engagement of us as independent public accountants to make an examination of your answers to its financial questionnaire as of a date to be selected by us during the year 1970. One of these is for your files; the other is for transmittal by you to the New York Stock Exchange.

Our examination will be made in accordance with generally accepted auditing standards and with the audit regulations of the New York Stock Exchange and will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances in relation to the assets, liabilities, and capital at the date selected. As required by such audit regulations, as well as the regulations of the Securities and Exchange Commission, the examination will include a review of the accounting system, the internal accounting control, and procedures for safeguarding securities including appropriate tests thereof.

The purpose of such examination will be to enable us to express an opinion to the effect that the answers to the questionnaire present fairly your financial position at the date selected, in conformity with generally accepted accounting principles, and to comply with the aforesaid regulations. It will not include tests and other auditing procedures in relation to the cash receipts and disbursements, transactions in securities and commodities, entries in customers' accounts (including closed accounts), and income and

BEST COPY AVAILABLE

Dft 765 P

expense accounts, for the year or other period ending on the date selected except as considered appropriate in the review of the accounting system, the internal accounting control, and procedures for safeguarding securities, indicated above. Although the examination could disclose certain types of errors or other irregularities or inadequacies, it cannot be relied upon to disclose any or all such situations.

We wish to express our thanks for the opportunity of being of service to you.

Yours very truly,

(signed) Haskins & Sells

Enclosures
B/C - Executive Office ✓
EJH:KL

November 11, 1969

Hirsch & Co.,
25 Broad Street,
New York, N.Y. 10004.

Dear Sirs:

You have selected us to conduct an audit of your affairs as of a date during the calendar year 1970, in accordance with the audit regulations of the New York Stock Exchange, and to prepare an answer to its financial questionnaire based upon such audit.

We agree

(1) to make an audit of the affairs of your Firm as of a date during the calendar year 1970, to be selected by us without prior notice to your Firm, in accordance with the audit regulations of the New York Stock Exchange;

(2) to notify the Department of Member Firms promptly that the audit has been commenced;

(3) to prepare an answer to its financial questionnaire based upon such audit;

(4) to submit to the Department of Member Firms a copy of such answer accompanied by a signed attestation in form prescribed by the Exchange;

(5) to submit to the Department of Member Firms a signed copy of our report which will include an attest that the requirements of the audit regulations have been observed in the conduct of the audit and such report shall also include, specifically, the following:

(a) A comment that we have made a review of your accounting system, internal accounting control and procedures for safeguar[illegible]curities, including such tests thereof for [illegible]riod since the prior examination date as we considered necessary in the circumstances; and

(b) Comments relative to any material inadequacies found to exist in the accounting system, [illegible]ternal accounting control and procedures for safeguarding securities, and shall indicate any corrective action taken or proposed. (If any comments are made with respect to this item (b), they may be submitted in a supplementary report accompanying the answers to the financial questionnaire.)

Very truly yours,

(signed) Haskins & Sells

B/C - Executive Office

EJH:KL

Deft. H&S Ex. Q, pp. 768a - 813a

p. 768a

Form **1065**
Department of the Treasury
Internal Revenue Service

# U.S. Partnership Return of Income

FOR CALENDAR YEAR 1969 or other taxable year beginning ..... 1969, and ending ..... 19.....

**1969**

A Principal business activity (See General Instruction K): Commissions

Name: Hirsch & Co.

C Employer Identification No.: 13-5511509

B Principal product or service (See General Instruction K): Stockbrokers

Number and street: 25 Broad Street

D County in which located: New York

City or town, State, and ZIP code: New York, New York 10004

E Date business commenced: 1911

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction R.

| | | |
|---|---|---|
| INCOME | 1 Gross receipts or gross sales ..... Less: Returns and allowances ..... | |
| | 2 Less: Cost of goods sold (Schedule A) and/or operations (attach schedule) | 1,586,177.29 |
| | 3 ~~Gross profit~~. Trading profits | |
| | 4 Income (loss) from other partnerships, syndicates, etc. (attach statement) | |
| | 5 Nonqualifying dividends (attach list—see Instruction 5) | 4,230,403.54 |
| | 6 Interest | |
| | 7 Rents (Schedule B) | |
| | 8 ~~Royalties (attach schedule)~~. Commissions | 12,608,280.18 |
| | 9 Net farm profit (loss) (Schedule F, Form 1040) | |
| | 10 Net gain (loss) from sale or exchange of property other than capital assets (line 16, Schedule D, Form 1065) | |
| | 11 Other income (attach schedule). Proxy fees, services and handling charges, etc. | 157,822.25 |
| | 12 TOTAL income (lines 3 through 11) | 18,582,691.26 |
| DEDUCTIONS | 13 Salaries and wages (other than to partners) | 9,694,576.74 |
| | 14 Payments to partners—salaries and interest | 851,291.63 |
| | 15 Rent | 581,742.23 |
| | 16 Interest (Schedule J) | 2,010,501.10 |
| | 17 Taxes (Schedule J) | 391,385.43 |
| | 18 Losses by fire, storm, shipwreck, other casualty or theft (attach statement) | |
| | 19 Bad debts (Schedule H if reserve method is used) | 21,882.12 |
| | 20 Repairs | 111,678.78 |
| | 21 Depreciation (Schedule I) | 183,095.19 |
| | 22 Amortization (attach schedule) | |
| | 23 Depletion (attach schedule) | |
| | 24 Retirement plans, etc. (other than for partners—see Instruction 24) | |
| | 25 Other deductions (Schedule J) | 7,505,464.91 |
| | 26 TOTAL deductions (lines 13 through 25) | 21,360,418.13 |
| | 27 Ordinary income (loss) (line 12 less line 26) (see General Instruction G) | (2,777,726.87) |

Schedule A—COST OF GOODS SOLD

| | |
|---|---|
| 1 Inventory at beginning of year (if different from last year's closing inventory, attach explanation) | |
| 2 Purchases | |
| Less: Cost of items withdrawn for personal use | |
| 3 Cost of labor | |
| 4 Material and supplies | |
| 5 Other costs (attach schedule) | |
| 6 Total of lines 1 through 5 | |
| 7 Less: Inventory at end of year | |
| 8 Cost of goods sold. Enter here and on line 2 above | |
| (Method of inventory valuation ..... ) | |

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

▶ ..... Signature of partner or member ..... Date

▶ Haskins & Sells — E.J. Harvey — Signature of preparer other than partner or member

Two Broadway, New York 10004 — Address

4/8/70 — Date

Hirsch & Co



Form 1065—1969



NOTE. Any items specially allocated to the partners should be shown in a separate schedule instead of being reflected on the numbered lines of page 1. Schedules B through J, or Schedule K. (See General Instruction Q)

## Schedule B—INCOME FROM RENTS

| 1. Kind and location of property | 2. Amount of rent | 3. Depreciation (explain in Schedule I) | 4. Repairs (explain in Schedule J) | 5. Other expenses (explain in Schedule J) |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| 1 Totals | | | | |

2 Net income (loss) (column 2 less sum of columns 3, 4, and 5). Enter here and on page 1, line 7 . . . . . .

## Schedule H—BAD DEBTS (See Instruction 19)

| 1. Year | 2. Trade notes and accounts receivable outstanding at end of year | 3. Sales on account | Amount added to reserve: 4. Current year's provision | Amount added to reserve: 5. Recoveries | 6. Amount charged against reserve | 7. Reserve for bad debts at end of year |
|---|---|---|---|---|---|---|
| 1964. | 59,490,304 | | (13,472.19) | | 2,064.41 | 43,345.73 |
| 1965. | 56,619,892 | | 3,710.90 | | 32,113.16 | 44,154.37 |
| 1966. | 51,253,208 | | (3,494.29) | | 7,171.53 | 30,196.03 |
| 1967. | 59,698,911 | | 36,942.31 | | 28,838.67 | 38,297.67 |
| 1968. | 72,037,063 | | 1,336.62 | | 17,261.19 | 22,373.10 |
| 1969. | 52,259,871 | | 21,882.12 | | 24,639.44 | 19,615.78 |

**Schedule I—DEPRECIATION (See Instruction 21)** Taxpayers using Revenue Procedures 62–21 and 65–13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4. Note: You may (1) group depreciable assets in accordance with the categories specified below or (2) continue to list your assets in the same manner as in prior years. If you need more space, use Form 4562.

| 1. Group and guideline class or description of property | 2. Date acquired | 3. Cost or other basis | 4. Depreciation allowed or allowable in prior years | 5. Method of computing depreciation | 6. Life or rate | 7. Depreciation for this year |
|---|---|---|---|---|---|---|
| 1 Total additional first-year depreciation (do not include in items below). (Enter here and allocate to each partner in column 5 of Schedule K) → | | | | | 25957.29 | |
| Buildings | | | | | | |
| Furniture and fixtures | | 540751.81 | 293171.36 | Var. | Var. | 50,586.15 |
| Transportation equipment | | | | | | |
| Machinery and other equipment | | | | | | |
| Other (specify) | | | | | | |
| Leasehold improvements | | 1671487.01 | 293913.05 | Var. | Var. | 133,309.04 |
| | | | | | | |
| 2 Totals | | 2212238.82 | | | | 183,895.19 |
| 3 Less amount of depreciation claimed in Schedules A and B | | | | | | |
| 4 Balance—Enter here and on page 1, line 21 | | | | | | 183,895.19 |

## SUMMARY OF DEPRECIATION

| | Straight line | Declining balance | Sum of the years-digits | Units of production | Additional first-year (section 179) | Other (specify) | Total |
|---|---|---|---|---|---|---|---|
| 1 Under Rev. Procs. 62–21 and 65–13 | | | | | | | |
| 2 Other | | | | | | | |

## Schedule J—EXPLANATION OF LINES 16, 17, AND 25 ON PAGE 1, AND OF COLUMNS 4 AND 5 OF SCHEDULE B

| Line or column | Explanation | Amount | Line or column | Explanation | Amount |
|---|---|---|---|---|---|
| 16 | Interest on bank loans, etc. (excluding interest paid to carry tax exempt securities) | 2018501.10 | 17 | Payroll taxes | 383,390.80 |
| | | | | N.Y.C. Gross Receipts Taxes | 6,482.27 |
| | | | | N.J. Unincorporated Bus. Tax | 1,512.36 |
| | | | | | 391,385.43 |
| 25 | See Schedule 2 attached | 7505464.91 | | | |

Hirsch & Co.
Form 1065—1969



## Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

| 1. Give name, address, and social security number of each partner. (Designate nonresident aliens, if any.) Where return of partner or member is filed in another Internal Revenue district or in an Internal Revenue service center, specify district or service center. | 2. Percentage of time devoted to business | 3. COST OR BASIS OF INVESTMENT IN PROPERTY (i) Life Years | (ii) Basis of new property | (iii) Cost of used property |
|---|---|---|---|---|
| (a) | | 4 or more but less than 6 | | |
| | | 6 or more but less than 8 | | |
| | | 8 or more | | |
| (b) | | 4 or more but less than 6 | | |
| | | 6 or more but less than 8 | | |
| | | 8 or more | | |
| (c) | | 4 or more but less than 6 | | |
| | | 6 or more but less than 8 | | |
| | | 8 or more | | |
| (d) | | 4 or more but less than 6 | | |
| | | 6 or more but less than 8 | | |
| | | 8 or more | | |
| (e) | | 4 or more but less than 6 | 28,085.00 | |
| Totals - See Schedule 1 attached | | 6 or more but less than 8 | 44,383.00 | |
| | | 8 or more | 46,595.43 | |
| Totals | | | 119,063.43 | |

| | 4. Ordinary income (loss) (line 27, page 1) | 5. Additional first-year depreciation (line 1, Schedule I) | 6. Payments to partners—salaries and interest (line 14, page 1) | 7. Qualifying dividends (attach list) | 8. Net short-term gain (loss) from sale or exchange of capital assets (line 9, Schedule D) |
|---|---|---|---|---|---|
| (a) | | | | | |
| (b) | | | | | |
| (c) | | | | | |
| (d) | | | | | |
| (e) | | | | | |
| Totals | (2,777,725.87) | 25,957.29 | 851,291.63 | 3,905.61 | 86,270.36 |

| | 9. Net long-term gain (loss) from sale or exchange of capital assets (line 13, Schedule D) | 10. Net gain (loss) under section 1231 (line 6, Schedule D) | 11. Net earnings from self-employment (line 10, Schedule N) | 12. Contributions (see Sch. K instructions) | 13. Expense account allowance (see Sch. K instructions) |
|---|---|---|---|---|---|
| (a) | | | | | |
| (b) | | | | | |
| (c) | | | | | |
| (d) | | | | | |
| (e) | | | | | |
| Totals | 92,301.63 | | (1,926,435.24) | 2,887.96 | |

NOTE: See the instructions for Schedule K, paragraphs (a) through (d), for each partner's distributive share of other items required to be reported in a separate schedule.

F Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories?
☐ YES ☒ NO. If "Yes," attach explanation.

G Were you liable for filing Forms 1096 and 1099 or 1087 for the calendar year 1969? ☒ YES ☐ NO
If "Yes," where were they filed? District Director, Lowell, Mass.

H Is any member of the partnership related by blood or marriage to any other member? ☒ YES ☐ NO

I Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ☒ YES ☐ NO

J Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ YES ☒ NO
If "YES," see General Instruction P and enter appropriate amount here $

K Did you claim a deduction for expenses connected with:
(1) Entertainment facility (boat, resort, ranch, etc.)? ☐ YES ☒ NO
(2) Living accommodations (except employees on business)? ☐ YES ☒ NO
(3) Employees' families at conventions or meetings? ☒ YES ☐ NO
(4) Employee or family vacations not reported on Form W-2? ☐ YES ☒ NO

Hirsch & Co.

Form 1065—1969 Page 4

**Schedule L—BALANCE SHEETS (See General Instruction J)**

| ASSETS | Beginning of taxable year: Amount | Beginning of taxable year: Total | End of taxable year: Amount | End of taxable year: Total |
|---|---|---|---|---|
| 1 Cash | | | | |
| 2 Trade notes and accounts receivable | | | | |
| (a) Less allowance for bad debts | | | | |
| 3 Inventories | | | | |
| 4 Gov't obligations: (a) U.S. and instrumentalities | | | | |
| (b) State, subdivisions thereof, etc. | | | | |
| 5 Other current assets (attach schedule) | | | | |
| 6 Mortgage and real estate loans | | | | |
| 7 Other investments (attach schedule) | | | | |
| 8 Buildings and other fixed depreciable assets | | | | |
| (a) Less accumulated depreciation | | | | |
| 9 Depletable assets | See Schedule 6 attached | | See Schedule 7 attached | |
| (a) Less accumulated depletion | | | | |
| 10 Land (net of any amortization) | | | | |
| 11 Intangible assets (amortizable only) | | | | |
| (a) Less accumulated amortization | | | | |
| 12 Other assets (attach schedule) | | | | |
| 13 Total assets | | | | |
| **LIABILITIES AND CAPITAL** | | | | |
| 14 Accounts payable | | | | |
| 15 Mortgages, notes, and bonds payable in less than 1 year | | | | |
| 16 Other current liabilities (attach schedule) | | | | |
| 17 Mortgages, notes, and bonds payable in 1 year or more | | | | |
| 18 Other liabilities (attach schedule) | | | | |
| 19 Partners' capital accounts | | | | |
| 20 Total liabilities and capital | | | | |

**Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS (See Instruction for Schedule M)**

| | 1. Capital account at beginning of year | 2. Capital contributed during year | 3. Ordinary income (loss) from line 27, page 1 | 4. Income not included in column 3 plus non-taxable income | 5. Losses not included in column 3, plus unallowable deductions | 6. Withdrawals and distributions | 7. Capital account at end of year |
|---|---|---|---|---|---|---|---|
| | | Details available in Tax Payers records | | | | | |
| (a) | | | | | | | |
| (b) | | | | | | | |
| (c) | | | | | | | |
| (d) | | | | | | | |
| (e) | | | | | | | |
| Totals | | | | | | | |

**Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT (See Instruction for Schedule N)**

| | | |
|---|---|---|
| 1 Ordinary income increased by casualty losses (line 27 plus line 18, page 1) | | (2,777,726.87) |
| 2 Add: Payments to partners—salaries and interest (line 14, page 1) | 851,291.63 | |
| 3 Net loss from sale or exchange of property other than capital assets (line 10, page 1) | | 851,291.63 |
| 4 Total | | (1,926,435.24) |
| 5 Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment | | |
| 6 Nonqualifying dividends (line 5, page 1) | | |
| 7 Interest (see instruction for Schedule N) | | |
| 8 Net rentals from real estate (see instruction for Schedule N) | | |
| 9 Net gain from sale or exchange of property other than capital assets (line 10, page 1) | | |
| 10 Net earnings from self-employment. Enter in column 11, Schedule K | | (1,926,435.24) |

(Form 1065)
Department of the Treasury
Internal Revenue Service

# Sales or Exchanges of Property

▶ See instructions on back.
▶ If you use this schedule, attach it to Form 1065.

**1969**

Name of partnership: Hirsch & Co., 25 Broad Street, New York, New York 10004

Employer Identification No.: 13-5511509

**Part I.—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTIONS 1245 AND 1250—Assets Held More Than 6 Months—Where double headings appear, use the first heading for section 1245 and the second heading for section 1250**

| a. Kind of property (if necessary, attach statement of descriptive details not shown below—write 1245 or 1250 to indicate type of asset) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale |
|---|---|---|---|---|
| 1 | | | | |

| f. Depreciation allowed (or allowable) since acquisition | | g. Adjusted basis (e less sum of f-1 and f-2) | h. Total Gain (d less g) | i. Ordinary Gain (lesser of f-2 or h) — OR — (see instructions) | j. Other Gain (h less i) |
|---|---|---|---|---|---|
| f-1. Prior to January 1, 1962 — OR — Prior to January 1, 1964 | f-2. After December 31, 1961 — OR — After December 31, 1963 | | | | |
| | | | | | |

2 Total ordinary gain. Enter here and on line 14 and identify as gain from Part I . .
3 Total other gain. Enter here and on line 4 and identify as gain from Part I . . . . . .

**Part II.—SALE OR EXCHANGE OF PROPERTY UNDER SECTION 1231**

| a. Kind of property (if necessary, attach statement of descriptive details not shown below) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Depreciation allowed (or allowable) since acquisition | f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale | g. Gain (loss) (d plus e less f) |
|---|---|---|---|---|---|---|
| 4 | | | | | | |

5 Enter your share of gain (loss) of section 1231 items from other partnerships and from fiduciaries . . .
6 Net gain (loss) from lines 4 and 5. Enter here and in column 10, Schedule K of Form 1065 . . . . . .

**Part III.—CAPITAL ASSETS—Short-Term Capital Gains and Losses—Assets Held Not More Than 6 Months**

7 Details of Securities Transactions available in Taxpayers records.

8 Enter your share of net short-term gain (loss) from other partnerships and from fiduciaries . . . .
9 Net short-term gain (loss) from lines 7 and 8. Enter here and in column 8, Schedule K of Form 1065. . 86,270.36

**Long-Term Capital Gains and Losses—Assets Held More Than 6 Months**

10 Details of Securities Transactions available in Taxpayers Records.

11 Enter your share of net long-term gain (loss) from other partnerships and from fiduciaries . . . . .
12 Capital gain dividends . . . . . .
13 Net long-term gain (loss) from lines 10, 11, and 12. Enter here and in column 9, Schedule K of Form 1065 92,301.65

**Part IV.—PROPERTY OTHER THAN CAPITAL ASSETS**

14

15 Enter your share of gain (loss) on property other than capital assets from other partnerships and from fiduciaries . . . . . .
16 Net gain (loss) from lines 14 and 15. Enter here and on page 1, line 10, Form 1065 . . . . . .

## HIRSCH & CO.

### CHARITABLE CONTRIBUTIONS
### CALENDAR YEAR 1969

| | |
|---|---|
| Congregation Ohab Zedek | $ 50.00 |
| Gotham Cerebral Palsy League, Inc | 50.00 |
| Jewish Community Center of Yonkers | 50.00 |
| La Ribida Jackson Park Sanitarium | 20.00 |
| Methodist Church of Roberts | 10.00 |
| National Hemophilia Foundation | 2,357.96 |
| National Marine Corps Scholarship Foundation | 25.00 |
| New School Scholarship Fund | 50.00 |
| Okeechobee Boys School | 25.00 |
| Salvation Army | 50.00 |
| Talmudical Yeshiva of Philadelphia | 50.00 |
| United Fund | 50.00 |
| Washington Heart Association | 50.00 |
| Yeshiva Torah V'Daath and Mesivta | 50.00 |
| TOTAL | $2,887.96 |

## HIRSCH & CO.

### OTHER DEDUCTIONS, CALENDAR YEAR 1969

| | |
|---|---|
| Brokerage and clearance charges | $1,680,997.07 |
| Telephone, telegraph, cables, leased wires, etc. | 1,466,891.81 |
| Ticker service | 223,587.96 |
| Publications and advertising | 354,498.22 |
| Insurance | 85,339.03 |
| Group life and major medical insurance | 232,719.92 |
| Postage | 239,811.53 |
| Stationery and printing | 359,279.25 |
| Professional services | 530,985.42 |
| Profit-sharing - Branch managers | 114,905.35 |
| Travel | 145,281.30 |
| Entertainment | 152,736.12 |
| Machine rentals | 516,324.47 |
| Error account | 197,068.83 |
| Dues, licenses, assessments, etc | 71,056.17 |
| Employees' lunches and suppers | 40,813.66 |
| Electric | 78,738.19 |
| Miscellaneous | 867,049.40 |
| Prior years firms | 147,381.21 |
| TOTAL | $7,505,464.91 |

SCHEDULE 2

| NAME OF PARTNER | SOCIAL SECURITY NUMBER | ORDINARY INCOME (LOSS) | ADDITIONAL FIRST-YEAR DEPRE-CIATION | SALARII AND INTERE |
|---|---|---|---|---|
| NERAL PARTNERS: | | | | |
| Paul L. Kohns | 133-26-1049 | $ (445,678.06) | $ 4,140.19 | $ 71,815 |
| Maurice Meyer, Jr. | 055-09-1694 | (444,221.12) | 4,129.80 | 57,193 |
| Marshall S. Mundheim | 113-05-3109 | (333,736.52) | 3,127.85 | 55,013 |
| Seymour Katzenstein | 058-09-1487 | (243,955.05) | 2,336.16 | 13,063 |
| Robert J. Fraiman | 145-20-4672 | (232,479.92) | 2,273.86 | 35,954 |
| Howard C. Hirsch | 133-26-0890 | (239,366.38) | 2,081.77 | 57,470 |
| Myron Simons | 054-12-7467 | (157,906.36) | 1,557.44 | 25,246 |
| Gilbert F. Bach | 056-26-8912 | (139,950.17) | 1,393.91 | 17,123 |
| Clifford A. Hollander | 133-26-1078 | (88,435.98) | 778.72 | 31,428 |
| Louis A. Mollard | 082-07-0030 | (75,546.11) | 661.91 | 30,990 |
| Jane R. Larkin | 099-12-8436 | (58,966.14) | 584.04 | 21,251 |
| Edward A. Morgan, III | 062-26-9143 | (58,649.17) | 584.04 | 24,200 |
| Simon Brett | 112-07-1583 | (55,588.30) | 547.70 | 30,962 |
| Edgar Mitchell | 091-01-6665 | (55,896.13) | 547.70 | 20,652 |
| Thomas L. Weil | 086-14-2151 | (38,333.09) | 389.36 | 25,615 |
| Donald B. Couig | 058-30-1005 | (28,008.81) | 275.15 | 17,108 |
| Guido Sclafani | 085-28-8484 | (25,902.73) | 259.57 | 16,467 |
| Charles M. Hale | 559-54-6788 | (16,044.60) | 158.34 | 22,415 |
| Daniel T. Pierce | 133-26-1172 | (15,652.35) | 64.89 | 57,838 |
| Max Bosshard | | (6,262.80) | 64.89 | 1,483 |
| MITED PARTNERS: | | | | |
| Trustees U/W Albert J. Seligsberg | 136-07-4348 | | | |
| | 136-07-4347 | | | 26,284 |
| Adelaide Meyer | 112-36-0969 | | | |
| A. H. Shaeffer | 085-03-2779 | | | 26,284 |
| Herbert Fraiman | 098-30-2281 | | | 26,284 |
| Ely Ross | 092-09-9882 | | | 21,027 |
| Estate of J. Dalton Couig | 056-10-2536 | | | 21,027 |
| Harry A. Schwartz | 052-10-4655 | (7,034.64) | | 20,583 |
| Milton C. Altenberger | 115-10-5220 | | | 15,770 |
| Florence Zaidenberg | 056-38-7836 | | | 10,513 |
| Estate of Harriet Grace Shelare | 121-07-5169 | | | 10,513 |
| Maurice Glinert | 064-01-3362 | | | 6,058 |
| Ann M. Couig Trust | 136-18-1451 | | | 5,256 |
| Milton C. Zaidenberg | 051-18-7389 | | | 4,205 |
| Lacy Kux | 083-09-5023 | | | 2,628 |
| Andre Lord | 092-12-1697 | | | 2,628 |
| Aubrey E. Sampson | 082-09-9145 | | | 3,154 |
| Norman Reitman | 092-12-7255 | | | 5,256 |
| | | | | 10,513 |
| TIRED PARTNERS: | | | | |
| Robert F. Shelare | | (3,984.22) | | |
| Robert L. Kohns | 133-26-1043 | (506.80) | | |
| A. A. Shelare | | (70.19) | | |
| A. DeJong | 111-05-2001 | (4,910.33) | | |
| Maurice Meyer III | 091-26-9791 | (273.81) | | |
| J. Hardin | 081-03-9152 | (284.42) | | |
| R. Daeschler | 331-16-3906 | (49.34) | | |
| W. Farnell, Jr | 127-28-7106 | (33.33) | | |
| TOTAL | | $(2,777,726.87) | $25,957.29 | $851.29 |

Address:
c/o Hirsch & Co.,
25 Broad Street, New York, N.Y. 10004.

BEST COPY AVAILABLE

(1) During 1969 the Company leased equipment. Lessors election statements are

| SALARIES AND INTEREST | QUALIFYING DIVIDENDS (Schedule 4) | SHORT-TERM CAPITAL GAINS (LOSSES) | NET LONG-TERM CAPITAL GAINS (LOSSES) | TABLE CONTRIBUTIONS (Schedule 1) | NET EARNINGS FROM SELF-EMPLOYMENT | EXPEN ACCOU ALLOWAN |
|---|---|---|---|---|---|---|
| | | | p. 776a | | | |
| $ 71,815.04 | $ 622.94 | $13,760.13 | $15,793.40 | $ 460.63 | $ (373,863.02) | $ 64 |
| 57,193.11 | 621.39 | 13,725.62 | 15,754.31 | 459.46 | (387,028.01) | 11,858 |
| 55,013.34 | 470.63 | 10,395.58 | 11,923.74 | 348.00 | (278,723.18) | 14,979 |
| 13,063.84 | 351.50 | 7,764.33 | 7,298.52 | 259.92 | (230,891.21) | 2,791 |
| 35,954.33 | 342.13 | 7,557.28 | 6,164.08 | 252.99 | (196,525.59) | 3,904 |
| 57,470.99 | 313.23 | 6,918.88 | 10,615.63 | 231.61 | (181,895.39) | 2,594 |
| 25,246.16 | 234.34 | 5,176.22 | 4,079.05 | 173.28 | (132,660.20) | 1,539 |
| 17,123.20 | 209.73 | 4,632.72 | 3,067.88 | 155.08 | (122,826.97) | 9,474 |
| 31,428.82 | 117.17 | 2,588.11 | 4,578.07 | 86.64 | (37,007.16) | 7,562 |
| 30,990.51 | 99.59 | 2,199.89 | 4,725.40 | 73.64 | (44,555.60) | |
| 21,251.27 | 87.88 | 1,941.08 | 1,486.89 | 64.98 | (37,714.87) | 1,076 |
| 24,200.94 | 87.88 | 1,941.08 | 1,296.79 | 64.98 | (34,448.23) | |
| 30,962.38 | 82.41 | 1,820.30 | 1,560.84 | 60.94 | (24,625.92) | 1,894 |
| 20,652.84 | 82.41 | 1,820.30 | 1,558.21 | 60.94 | (35,243.29) | 96 |
| 25,615.89 | 58.58 | 1,294.06 | 398.71 | 43.32 | (12,717.20) | 1,842 |
| 17,108.82 | 41.40 | 914.47 | 785.00 | 30.61 | (10,899.99) | 160 |
| 16,467.70 | 39.06 | 862.70 | 476.91 | 28.88 | (9,435.03) | |
| 22,415.78 | 23.82 | 526.25 | 439.63 | 17.62 | 6,371.18 | 913 |
| 57,838.59 | 9.76 | 215.68 | 308.10 | 7.22 | 42,186.24 | 783 |
| 1,483.78 | 9.76 | 215.68 | (9.51) | 7.22 | (4,779.02) | |
| 26,284.73 | | | | | 26,284.73 | |
| 26,284.73 | | | | | 26,284.73 | |
| 26,284.73 | | | | | 26,284.73 | |
| 21,027.75 | | | | | 21,027.75 | |
| 21,027.75 | | | | | 21,027.75 | |
| 20,583.58 | | | | | 13,548.94 | |
| 15,770.82 | | | | | 15,770.82 | |
| 10,513.87 | | | | | 10,513.87 | |
| 10,513.87 | | | | | 10,513.87 | |
| 6,058.03 | | | | | 6,058.03 | |
| 5,256.93 | | | | | 5,256.93 | |
| 4,205.55 | | | | | 4,205.55 | |
| 2,628.49 | | | | | 2,628.49 | |
| 2,628.49 | | | | | 2,628.49 | |
| 3,154.18 | | | | | 3,154.18 | |
| 5,256.93 | | | | | 5,256.93 | |
| 10,513.87 | | | | | 10,513.87 | |
| | | | | | (3,984.22) | |
| | | | | | (506.80) | |
| | | | | | (70.19) | |
| | | | | | (4,910.33) | |
| | | | | | (273.81) | |
| | | | | | (284.42) | |
| | | | | | (49.34) | |
| | | | | | (33.33) | |
| $851,291.63 | $3,905.61 | $86,270.36 | $92,301.65 | $2,887.96 | $(1,926,435.24) | $61,53 |

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are attached.

SCHEDULE 3

| CONTRIBUTIONS (Schedule 1) | NET EARNINGS FROM SELF-EMPLOYMENT | EXPENSE ACCOUNT ALLOWANCES | PROPERTY QUALIFYING FOR .....INVESTMENT CREDIT..... 8 YEARS OR MORE | 6-8 YEARS | 4-6 YEARS |
|---|---|---|---|---|---|
| | | | p. 777a | (1) | (1) |
| 460.63 | $ (373,863.02) | $ 64.25 | $ 7,431.97 | $ 7,079.09 | $ 4,479.56 |
| 459.46 | (387,028.01) | 11,858.75 | 7,413.36 | 7,061.31 | 4,468.33 |
| 348.00 | (278,723.18) | 14,979.81 | 5,614.75 | 5,348.15 | 3,384.24 |
| 259.92 | (230,891.21) | 2,791.07 | 4,193.59 | 3,994.47 | 2,527.65 |
| 252.99 | (196,525.59) | 3,904.09 | 4,081.76 | 3,887.95 | 2,460.25 |
| 231.61 | (181,895.39) | 2,594.98 | 3,736.95 | 3,559.52 | 2,252.42 |
| 173.28 | (132,660.20) | 1,539.90 | 2,795.73 | 2,662.98 | 1,685.10 |
| 155.08 | (122,826.97) | 9,474.83 | 2,502.17 | 2,383.37 | 1,508.16 |
| 86.64 | (57,007.16) | 7,562.04 | 1,397.86 | 1,331.49 | 842.55 |
| 73.64 | (44,555.60) | | 1,188.18 | 1,131.77 | 716.17 |
| 64.98 | (37,714.87) | 1,076.69 | 1,048.40 | 998.62 | 631.91 |
| 64.98 | (34,448.23) | | 1,048.40 | 998.62 | 631.91 |
| 60.94 | (24,625.92) | 1,894.76 | 983.16 | 936.48 | 592.59 |
| 60.94 | (35,243.29) | 96.60 | 983.16 | 936.48 | 592.59 |
| 43.32 | (12,717.20) | 1,842.99 | 698.93 | 665.75 | 421.28 |
| 30.61 | (10,899.99) | 160.00 | 493.91 | 470.46 | 297.70 |
| 28.88 | (9,435.03) | | 465.94 | 443.83 | 280.85 |
| 17.62 | 6,371.18 | 913.66 | 284.23 | 270.74 | 171.32 |
| 7.22 | 42,186.24 | 783.97 | 116.49 | 110.96 | 70.21 |
| 7.22 | (4,779.02) | | 116.49 | 110.96 | 70.21 |
| | 26,284.73 | | | | |
| | 26,284.73 | | | | |
| | 26,284.73 | | | | |
| | 21,027.75 | | | | |
| | 21,027.75 | | | | |
| | 13,548.94 | | | | |
| | 15,770.82 | | | | |
| | 10,513.87 | | | | |
| | 10,513.87 | | | | |
| | 6,058.03 | | | | |
| | 5,256.93 | | | | |
| | 4,205.55 | | | | |
| | 2,628.49 | | | | |
| | 2,628.49 | | | | |
| | 3,154.18 | | | | |
| | 5,256.93 | | | | |
| | 10,513.87 | | | | |
| | (3,984.22) | | | | |
| | (506.80) | | | | |
| | (70.19) | | | | |
| | (4,910.33) | | | | |
| | (273.81) | | | | |
| | (284.42) | | | | |
| | (49.34) | | | | |
| | (33.33) | | | | |
| $2,887.96 | $(1,926,435.24) | $61,538.39 | $46,595.43 | $44,383.00 | $28,085.00 |

HIRSCH & CO.

QUALIFYING DIVIDENDS
CALENDAR YEAR 1969

| | |
|---|---|
| AMK Corporation | $ 450.00 |
| American Telephone and Telegraph | 540.00 |
| Boeing Co | 60.00 |
| Columbia Broadcasting System | 16.80 |
| du Pont de Nemours | 525.00 |
| General Dynamics Corp | 100.00 |
| Gulf & Western Indust. $3.875 CV Pfd. C | 804.06 |
| Harvey Aluminum - Com. A | 60.00 |
| Kidde (Walter) & Co - Com | 17.25 |
| McDonnel Douglas Corp - Com | 40.00 |
| Rapid-American Corp - Com | 187.50 |
| Studebaker-Worthington - $1.40 CV Pfd A | 105.00 |
| Walter (Jim) Corp - $2 CV Ser I 3rd Pfd | 1,000.00 |
| TOTAL | $3,905.61 |

SCHEDULE 4

HIRSCH & CO.

ELECTION OF ADDITIONAL FIRST-YEAR
DEPRECIATION ALLOWANCE
SEC. 179 I.R.C. OF 1954, AS AMENDED
CALENDAR YEAR 1969

(1) Date purchased - Year 1969 - Various dates.

(2) Description of property - Furniture and fixtures - All items acquired during 1969

(3) Total cost of items - $129,947.26 - Details by item available in taxpayer's records.

(4) Portion of cost selected - 100%.

(5) Useful life - 10 years.

(6) Additional first-year depreciation - $25,957.29

SCHEDULE 5

H

STATEMENT OF FINANCI
(Prepared from the

## A S S E T S

| | | |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash in banks and on hand | | $ 4,147,66 |
| Clearing funds and other deposits | | 361,94 |
| Deposits on account of securities borrowed | | 3,112,59 |
| Receivable from other brokers or dealers: | | |
| Securities sold but not delivered | | 14,066,13 |
| Odd lot clearances | | 634,52 |
| Equities in commodity accounts | | 58,49 |
| Receivable from customers: | | |
| Secured margin and cash accounts | $71,958,045.76 | |
| Unsecured debits | 16,720.16 | |
| Equities in commodity accounts | 53,800.00 | 72,028,56 |
| Securities owned by the Firm - at market value: | | |
| United States Government obligations | 621,977.75 | |
| Municipal obligations | 2,919,056.91 | |
| Other | 1,507,792.58 | 5,048,82 |
| Securities owned by partners - at market value | | 2,690,56 |
| Miscellaneous current assets: | | |
| Commissions receivable | | 12,67 |
| Dividends and interest receivable | | 1,129,99 |
| Other current assets | | 145,44 |
| Total current assets | | 103,437,45 |
| OTHER ASSETS: | | |
| Memberships in exchanges - at market value | | 2,908,05 |
| Furniture, fixtures, equipment, and leasehold improvements (depreciated amount) | | 1,045,88 |
| Prepaid expenses and deferred charges | | 80,90 |
| Investments in and advances to wholly-owned affiliated companies - at carrying value which is less than equity therein | | 167,35 |
| Miscellaneous receivables | | 174,82 |
| TOTAL | | $107,814,47 |

HIRSCH & CO.

FINANCIAL CONDITION, DECEMBER 31, 1968
from the general books without audit)

## LIABILITIES

| | | | |
|---|---|---|---|
| | | CURRENT LIABILITIES: | |
| ,147,668. | 31 | Money borrowed on securities | $ |
| 361,946. | 90 | Deposits on accout of securities loaned | |
| ,112,595. | 75 | Payable to other brokers or dealers - securities bought but not received | |
| ,066,138. | 80 | Odd lot clearances | |
| 634,529. | 52 | Payable to customers: | |
| 58,497. | 50 | Free credit balances | |
| | | Secured margin and cash accounts | |
| | | Equities in commodity accounts | |
| | | Securities sold but not yet purchased - at market value | |
| ,028,565. | 92 | Dividends and interest payable | |
| | | Miscellaneous current liabilities: | |
| | | Commissions and brokerage payable | |
| | | Social security and income tax payable | |
| | | Miscellaneous payables | |
| ,048,827. | 24 | Total current liabilities | |
| ,690,569. | 05 | CAPITAL FUNDS AND SUBORDINATED LIABILITIES: | |
| | | Borrowings under subordination agreements | |
| 12,67 | 88 | (cash) | $ 691,000.00 |
| ,129,998. | 08 | Net worth | 11,952,227.79 |
| 145,449. | 11 | | |
| ,437,459. | 56 | | |
| ,908,051. | 49 | | |
| ,045,881. | 01 | | |
| 80,900. | 74 | | |
| 167,356. | 09 | | |
| 174,823. | 23 | | |
| ,814,472. | 12 | TOTAL | |

SCHEDULE 6

31, 1968
audit)

## L I A B I L I T I E S

| | | |
|---|---|---|
| ITIES: | | |
| ed on securities | | $ 23,310,701.29 |
| account of securities loaned | | 18,238,040.00 |
| ther brokers or dealers - securities bought | | |
| ceived | | 18,045,223.24 |
| rances | | 634,529.81 |
| ustomers: | | |
| t balances | | 19,729,270.10 |
| rgin and cash accounts | | 9,975,480.21 |
| n commodity accounts | | 641,695.87 |
| old but not yet purchased - at market value | | 382,540.39 |
| d interest payable | | 953,384.28 |
| s current liabilities: | | |
| s and brokerage payable | | 79,909.01 |
| curity and income tax payable | | 380,276.78 |
| eous payables | | 2,800,193.35 |
| Total current liabilities | | 95,171,244.33 |
| AND SUBORDINATED LIABILITIES: | | |
| nder subordination agreements | | |
| | $ 691,000.00 | |
| | 11,952,227.79 | 12,643,227.79 |
| TOTAL | | $107,814,472.12 |

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STATEMENT OF FINAN
(Prepared from t

## ASSETS

| | | |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash in banks and on hand | | $ 3,725,7 |
| Clearing funds and other deposits | | 636,5 |
| Deposits on account of securities borrowed | | 2,916,( |
| Receivable from other brokers or dealers: | | |
| Securities sold but not delivered | | 4,948,: |
| Odd lot clearances | | |
| Equities in commodity accounts | | 92,( |
| Receivable from customers: | | |
| Secured margin and cash accounts | $52,031,247.46 | |
| Unsecured debits | 113,877.00 | |
| Equities in commodity accounts | 22,249.73 | 52,167,: |
| Securities owned by the Firm - at market value: | | |
| United States Government obligations | 301,789.42 | |
| Municipal obligations | 3,115,778.94 | |
| Other | 641,052.81 | 4,058,( |
| Securities owned by partners - at market value (exclusive of subordinated securities) | | 1,908,: |
| Subordinated securities - at market value | | 2,148, |
| Miscellaneous current assets: | | |
| Commissions receivable | | 21, |
| Dividends and interest receivable | | 1,005, |
| Other current assets | | 73, |
| Total current assets | | 73,703, |
| OTHER ASSETS: | | |
| Memberships in exchanges - at market value | | 1,776, |
| Furniture, fixtures, equipment, and leasehold improvements (depreciated amount) | | 1,489, |
| Prepaid expenses and deferred charges | | 185, |
| Investments in wholly-owned corporate affiliates: | | |
| At equity in net assets | | 1,388, |
| At cost | | 11, |
| Miscellaneous | | 362, |
| TOTAL | | $78,917, |

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HIRSCH CO.

FINANCIAL CONDITION, DECEMBER 31, 1969
(From the general books without audit)

## L I A B I L I T I E S

| | | |
|---|---|---|
| 725,758.83 | CURRENT LIABILITIES: | |
| 536,587.50 | Money borrowed on securities | $ |
| 916,000.00 | Deposits on account of securities loaned | |
| | Payable to other brokers or dealers: | |
| 948,311.41 | Securities bought but not received | |
| 130.93 | Odd lot clearances | |
| 92,496.46 | Payable to customers: | |
| | Free credit balances | |
| | Secured margin and cash accounts | |
| | Equities in commodity accounts | |
| 167,374.19 ✓ | Securities sold but not yet purchased - at market value | |
| | Dividends and interest payable | |
| | Miscellaneous current liabilities: | |
| | Commissions and brokerage payable | |
| | Social security and income tax payable | |
| 58,621.17 ✓ | Miscellaneous payables | |
| | Total current liabilities | |
| 208,107.06 | CAPITAL FUNDS AND SUBORDINATED LIABILITIES: | |
| 48,750.00 | Borrowings under subordination agreements (cash, $899,204.28 and securities, $2,148,750.00) | $3,047,954.28 |
| 21,653.64 | | |
| 105,959.59 | Excess of equity in net assets over cost of investment in a wholly-owned corporate affiliate | 1,231,974.26 |
| 73,942.23 | | |
| 203,693.01 ✓ | Net worth | 6,951,171.72 |
| 76,249.82 | | |
| 89,545.43 | | |
| 85,821.55 | | |
| 88,714.50 | | |
| 11,615.55 | | |
| 62,326.58 | | |
| 17,966.74 ✓ | TOTAL | |

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1969
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## L I A B I L I T I E S

| | | |
|---|---|---|
| s: | | $30,920,239.69 |
| n securities | | 8,405,290.00 |
| unt of securities loaned | | |
| brokers or dealers: | | 8,253,021.55 |
| ght but not received | | 63,439.95 |
| nces | | |
| mers: | | 12,029,274.59 |
| lances | | 4,121,872.11 |
| and cash accounts | | 874,128.78 |
| mmodity accounts | | 162,296.82 |
| but not yet purchased - at market value | | 877,368.50 |
| nterest payable | | |
| urrent liabilities: | | 51,770.55 |
| nd brokerage payable | | 79,008.09 |
| ty and income tax payable | | 1,849,155.85 |
| payables | | |
| Total current liabilities | | 67,686,866.48 |
| SUBORDINATED LIABILITIES: | | |
| r subordination agreements | | |
| 204.28 and securities | $3,047,954.28 | |
| ) | | |
| y in net assets over cost of | | |
| a wholly-owned corporate | 1,231,974.26 | |
| | 6,951,171.72 | 11,231,100.26 |
| TOTAL | | $78,917,966.74 |

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Form **2952**
(Rev. Jan. 1969)
Department of the Treasury
Internal Revenue Service

# Information Return with Respect to Controlled Foreign Corporations

(Under Section 6038 of the Internal Revenue Code)

For Calendar Year 1969.
or other taxable year beginning ....., 19....., and ending ....., 19.....

Name of United States person: Hirsch & Co.

Identifying number (Social security number or employer identification number if other than individual): 13-5511509

Address: 25 Broad Street, New York, N. Y. 10004

**The following information must be submitted on a separate Form 2952 for each Controlled Foreign Corporation (See instructions). Amounts must be stated in U.S. dollars and all information must be in the English language.**

1. (a) Name and address of foreign corporation: Hirsch & Co. S. A. Two Place Lungmalle, Geneva, Switzerland
   (b) Employer identification No., if any: None
2. Name and address of statutory or resident agent in country of incorporation: Carolus, S. A. 8-40 Avenida Central Panama, R. P.
3. (a) Name and address of branch or agent in the United States: None
   (b) Identifying number:
4. Name and address of custodian of books and records and location of books and records if different from such address: Paul L. Kohns, Hirsch & Co., 25 Broad Street, New York, N. Y. 10004
5. Nature of business and principal cities and countries where conducted: Representative of Hirsch & Co. acting in the promotion and solicitation of foreign customers.
6. Date of incorporation: 1-5-61
7. Information furnished for period—beginning Dec. 1, 1968, ending Nov. 30, 1969
8. Country under whose laws incorporated: Republic of Panama

| 9. (a) Description of each class of stock | (b) Number of shares of each class outstanding— at the beginning of the annual accounting period | at the end of the annual accounting period |
|---|---|---|
| Common Voting $1.00 par | 10,000 | 10,000 |
| Common non-voting 1.00 par | 90,000 | 90,000 |
| 6% cumulative Pfd. $1.00 par $10.00 | 167,285 | 217,285 |

10. The following information must be submitted for each United States person who is a shareholder owning at any time during the annual accounting period 5 percent or more in value of any class of outstanding stock (if more space is needed attach a supplemental schedule):

| NAME OF SHAREHOLDER | IDENTIFYING NUMBER | ADDRESS | CLASS OF STOCK | NUMBER OF SHARES HELD |
|---|---|---|---|---|
| | | See Schedule attached. | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

11. (a) Current earnings and profits (after reduction for foreign income, war profits, and excess profits taxes paid or accrued—see section 964(a) and the regulations thereunder) $ 584,300.22

(b) Current foreign income, war profits, and excess profits taxes paid or accrued (exclude amounts withheld on distributions) $ 8,120.53

(c) Distributions out of current earnings and profits $ 376,852.73

(d) Other distributions (give source) $ 172,082.79

12. *Enter a summary showing the total amount of each of the following types of transactions which took place during the annual accounting period, between the controlled foreign corporation (column (1)) and the persons enumerated in columns (2), (3), (4), and (5).

| (1) TRANSACTIONS OF CONTROLLED FOREIGN CORPORATION | (2) UNITED STATES PERSON FILING RETURN | (3) ANY CORPORATION CONTROLLED BY U.S. PERSON FILING RETURN | (4) 10 PERCENT OR MORE U.S. SHAREHOLDER OF CONTROLLED FOREIGN CORPORATION (OTHER THAN CONTROLLING SHAREHOLDER) | (5) 10 PERCENT OR MORE U.S. SHAREHOLDER OF DOMESTIC CORPORATION FILING THIS RETURN |
|---|---|---|---|---|
| (a) Sales of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Sales of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (c) Compensation received for the rendition of technical, managerial, engineering, construction, scientific, or like services | 954,264.77 | | | |
| (d) Commissions received | | | | |
| (e) Rents and royalties received | | | | |
| (f) Amounts borrowed (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (g) Dividends received | | | | |
| (h) Interest received | | | | |
| (i) Premiums received for insurance or reinsurance | | | | |
| Total (lines (a) through (i)) | 954,264.77 | | | |
| (a) Purchases of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Purchases of tangible property (other than stock in trade, except where neither party to the transaction is a U.S. person) | | | | |
| (c) Purchases of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (d) Compensation paid for the rendition of technical, managerial, engineering, construction, scientific, or like services | | | | |
| (e) Commissions paid | | | | |
| (f) Rents and royalties paid | | | | |
| (g) Amounts loaned (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (h) Dividends paid | | | | |
| (i) Interest paid | | | | |
| Total (lines (a) through (i)) | | | | |

If an entry would be made in the above schedule except for the fact that no compensation was paid, indicate the categories in which this has occurred.

*If the United States person is a bank, as described in section 581, or is controlled within the meaning of section 368(c) by a bank, the term "transactions" shall not, as to a corporation with respect to which a return is filed, include banking transactions entered into on behalf of customers; in any event, however, deposits in accounts between a foreign corporation controlled by a United States person, and a bank, and withdrawals from such accounts shall be summarized by reporting end-of-month balances.

13. The following financial statements for the annual accounting period of the foreign corporation shall be filed with and made a part of this return: (a) Profit and loss statement for the period; (b) Balance sheet as of the end of the period; (c) Analysis of changes in surplus accounts (include both opening and closing balance).

14. Exchange rate used Sw. Fr. .232558 to U. S. 1.00 (If more than one rate is used, attach statement.)

15. If this return is filed on behalf of another person or is a joint return complete the following:

| NAME | ADDRESS |
|---|---|
| | |
| | |

## Instructions

A. REQUIREMENT OF RETURN.—Every United States person shall make a separate annual information return on Form 2952 with respect to each annual accounting period beginning after December 31, 1962, of each foreign corporation which that person controls for an uninterrupted period of 30 days or more during such annual accounting period.

B. UNITED STATES PERSON.—The term "United States person" means: (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) any estate or trust (other than a foreign estate or foreign trust, the income of which from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, is not includable in gross income under Subtitle A of the Internal Revenue Code). See Section 1.6038-2(d) of the regulations for exception of certain residents of United States possessions.

C. CONTROL.—A person shall be deemed to be in control of a foreign corporation if he owns stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or more than 50 percent of the total value of shares of all classes of stock of the foreign corporation. A person in control of a corporation which, in turn, owns more than 50 percent of the combined voting power, or of the value, of all classes of stock of another corporation is also treated as being in control of such other corporation.

*Example.*—Corporation A owns 51 percent of the voting stock in Corporation B. Corporation B owns 51 percent of the voting stock in Corporation C. Corporation C in turn owns 51 percent of the voting stock in Corporation D. Corporation D is controlled by Corporation A.

D. ATTRIBUTION RULES.—For the purpose of determining control of domestic or foreign corporations the constructive ownership rules of section 318(a) shall apply, except that:

(1) Stock owned by or for a partner or a beneficiary of an estate or trust shall not be considered owned by the partnership, estate, or trust when the effect is to consider a United States person as owning stock owned by a person who is not a United States person;

(2) A corporation will not be considered as owning stock owned by or for a 50 percent or more shareholder when the effect is to consider a United States person as owning stock owned by a person who is not a United States person; and

(3) If 10 percent or more in value of the stock in a corporation is owned, directly or indirectly, by or for any person, subparagraph (C) of section 318(a)(2) shall apply.

E. PERIOD COVERED BY RETURN.—The information required by this return shall be furnished for the annual accounting period of the foreign corporation ending with or within the United States person's taxable year.

F. TIME AND PLACE FOR FILING RETURN.—Returns on Form 2952 shall be filed with the United States person's income tax return. An application for an extension of time for filing a return of income is also considered as an application for an extension of time for filing returns on Form 2952.

G. TWO OR MORE PERSONS REQUIRED TO SUBMIT THE SAME INFORMATION.—If two or more persons are required to furnish information with respect to the same foreign corporation for the same period, such persons may, in lieu of making separate returns, jointly make one return. Such joint return shall be filed with the income tax return of any one of the persons making such joint return.

H. PERSONS EXCEPTED FROM FURNISHING INFORMATION.—Any person required to furnish information under this section with respect to a foreign corporation need not furnish that information provided all of the following conditions are met:

(1) Such person does not directly own an interest in the foreign corporation;

(2) Such person is required to furnish the information solely by reason of attribution of stock ownership from a United States person;

(3) The person from whom the stock ownership is attributed furnishes all of the information required of the person to whom the stock ownership is attributed.

I. STATEMENT REQUIRED.—Any person who is required to file this return but does not do so because the information will be furnished by another person, must file a statement with his return indicating that such liability will be satisfied and identify the return with which the information will be filed and the place of filing. The statement below may be used for this purpose.

J. PENALTIES.—The information required by section 6038 of the Code must be furnished even though there are no foreign taxes which would be reduced. For criminal penalties for failure to file a return and filing a false or fraudulent return, see sections 7203, 7206, and 7207.

K. EFFECT ON TAX CREDIT.—Failure to furnish any information required by section 6038 will result in a reduction in the foreign taxes which are taken into account when figuring the credit under sections 901, 902, and 960 as provided in detail in paragraph (i) of Section 1.6038-2, Income Tax Regulations.

## STATEMENT IN REGARD TO FILING REQUIREMENT OF FORM 2952

I have not filed Form 2952 because (check applicable box):

☐ I am excepted from filing and information will be furnished by the person from whom the stock ownership is attributable.

☐ A joint return has or will be filed.

| Person filing this statement | | The information required to be furnished on Form 2952 will be filed by: | |
|---|---|---|---|
| Name | | Name | |
| Address | | Address | |
| Identifying number | Year | Internal Revenue Service office | Identifying number |

U.S. GOVERNMENT PRINTING OFFICE : 1980—O-328-364

## HIRSCH & CO. S. A.

ANSWER TO QUESTION 10, PAGE 1,
NOVEMBER 30, 1969

| NAME OF SHAREHOLDER | IDENTIFYING NUMBER | .....NUMBER OF SHARES HELD.... VOTING COMMON STOCK | NON-VOTING COMMON STOCK | $.30 CUMULATIVE PREFERRED STOCK |
|---|---|---|---|---|
| oward C. Hirsch..... | 133-26-0890 | 810 | 7,210 | 30,544 |
| aul L. Kohns..... | 133-26-1049 | 910 | 15,040 | 37,041 |
| aurice Meyer, Jr..... | 055-09-1694 | 910 | 15,000 | 36,843 |
| arshall S. Mundheim..... | 133-05-3109 | 910 | 11,140 | 27,860 |
| eymour Katzenstein..... | 058-09-1487 | 880 | 8,120 | 16,721 |
| lifford A. Hollander..... | 133-26-1078 | 810 | 2,190 | 11,378 |
| obert J. Fraiman..... | 145-20-4672 | 740 | 8,020 | 12,108 |
| ouis A. Mollard..... | 082-07-0030 | 810 | 1,740 | 8,970 |
| yron Simons..... | 054-12-7467 | 760 | 5,240 | 9,183 |
| ilbert F. Bach..... | 056-26-8912 | 270 | 5,100 | 5,726 |
| imon Brett..... | 112-07-1583 | 230 | 1,880 | 2,976 |
| dgar Mitchell..... | 091-01-6665 | 600 | 1,510 | 3,565 |
| dward A. Morgan, III..... | 062-26-9143 | 250 | 2,000 | 1,875 |
| ane R. Larkin..... | 099-12-8436 | 490 | 1,760 | 2,728 |
| uido Sclafani..... | 085-28-8484 | 100 | 900 | 1,030 |
| onald B. Couig..... | 058-30-1005 | 120 | 940 | 1,648 |
| aniel T. Pierce..... | 133-26-1172 | 100 | 150 | 5,409 |
| homas L. Weil..... | 086-14-2151 | 100 | 1,400 | 1,000 |
| harles M. Hale..... | 559-54-6788 | 100 | 510 | 555 |
| ax Bosshard..... | | 100 | 150 | 125 |
| TOTAL..... | | 10,000 | 90,000 | 217,285 |

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# HIRSCH & CO. S. A.

## BALANCE SHEET, NOVEMBER 30, 1969
(Prepared from the general books without audit)

## ASSETS

| | | |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash in banks and on hand | | $ 73,588.58 |
| Time deposits | | 2,500,000.00 |
| Due from Hirsch & Co.: | | |
| Service fee account | $ 77,756.30 | |
| Current account | 43,135.92 | 120,892.22 |
| Miscellaneous receivables | | 4,427.83 |
| Total current assets | | 2,698,908.63 |
| OTHER ASSETS: | | |
| Furniture and fixtures (depreciated amount) | | 5,661.60 |
| Leasehold improvements - less amortization | | 8,704.28 |
| Utility deposits | | 7,121.50 |
| TOTAL | | $2,720,396.01 |

## LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accrued expenses | | $ 3,719.10 |
| Foreign payroll and other taxes payable | | 26,198.10 |
| Other accounts payable | | 109,881.32 |
| Total current liabilities | | 139,798.52 |
| STOCKHOLDERS' EQUITY: | | |
| Common voting stock, $1.00 par value, authorized and outstanding, 10,000 shares | | 10,000.00 |
| Common non-voting stock, $1.00 par value, authorized, 100,000 shares, outstanding, 90,000 shares | | 90,000.00 |
| $.30 cumulative preferred stock, $1.00 par value ($10.00 liquidation value) authorized, 300,000 shares, issued, 221,962 shares - at liquidation value | $2,219,620.00 | |
| Less 4,677 shares reacquired at liquidation value and held in treasury | 46,770.00 | 2,172,850.00 |
| Earned surplus | | 307,747.49 |
| Total stockholders' equity | | 2,580,597.49 |
| TOTAL | | $2,720,396.01 |

## HIRSCH & CO. S. A.

### STATEMENT OF INCOME AND EARNED SURPLUS
### FOR THE YEAR ENDED NOVEMBER 30, 1969
(Prepared from the general books without audit)

| | | |
|---|---|---|
| INCOME: | | |
| Service fee income | | $ 954,264.77 |
| Interest earned | | 145,529.58 |
| Conversion difference income | | 5,417.08 |
| Firm underwriting income | | 5,000.00 |
| Firm investment income (loss) | | (39,685.12) |
| Total income | | 1,070,526.31 |
| OPERATING EXPENSES: | | |
| Salaries, bonuses, profit sharing, etc | $289,937.51 | |
| Payroll taxes | 21,207.45 | |
| Telephone and telegraph | 13,229.49 | |
| Rent and electricity | 7,371.58 | |
| Advertising | 622.57 | |
| Travel and entertainment | 17,904.03 | |
| Postage | 1,777.95 | |
| Professional services | 1,100.00 | |
| Subscriptions | 2,195.24 | |
| Office supplies, stationery, and printing | 3,035.89 | |
| Foreign taxes | 8,120.53 | |
| Other | 19,423.85 | |
| Total operating expenses | | 385,926.09 |
| NET INCOME FOR THE YEAR | | 684,600.22 |
| EARNED SURPLUS, DECEMBER 1, 1968 | | 172,082.79 |
| | | 856,683.01 |
| STOCK DIVIDEND - Paid November 25, 1969 to holders of record October 31, 1969 - $.30 cumulative preferred stock, 50,000 shares at $10.00 liquidation value (one share for each two shares of voting and non-voting common stock outstanding) | 500,000.00 | |
| CASH DIVIDENDS ON $.30 CUMULATIVE PREFERRED STOCK | 48,935.52 | 548,935.52 |
| EARNED SURPLUS, NOVEMBER 30, 1969 | | $ 307,747.49 |

Form **2952**

(Rev. Jan. 1969)

Department of the Treasury
Internal Revenue Service

# Information Return with Respect to Controlled Foreign Corporations

(Under Section 6038 of the Internal Revenue Code)

For Calendar Year 1969

or other taxable year beginning ..... 19....., and ending ..... 19....

| Name of United States person | Identifying number (Social security number or employer identification number if other than individual) |
|---|---|
| Hirsch & Co. | |
| Address: 25 Broad Street, New York, N.Y. 10004. | 13-5511509 |

**The following information must be submitted on a separate Form 2952 for each Controlled Foreign Corporation (See instructions). Amounts must be stated in U.S. dollars and all information must be in the English language.**

1. (a) Name and address of foreign corporation: Hirsch & Co. S.A.R.L.
8 Rue de Ponthieu, Paris 8e, France.

(b) Employer identification No., if any: 13-5511509

2. Name and address of statutory or resident agent in country of incorporation

Andre Lord, Hirsch & Co. S.A.R.L. 8 Rue de Ponthieu, Paris 8e, France

3. (a) Name and address of branch or agent in the United States: None

(b) Identifying number:

4. Name and address of custodian of books and records and location of books and records if different from such address

Same at #2

5. Nature of business and principal cities and countries where conducted: Representative of Hirsch & Co. acting in the promotion and solicitation of foreign customers

6. Date of incorporation: 11/30/62

7. Information furnished for period—beginning Jan 1 1969 ending Dec. 31 19 69

8. Country under whose laws incorporated: France

| 9. (a) Description of each class of stock | (b) Number of shares of each class outstanding— at the beginning of the annual accounting period | at the end of the annual accounting period |
|---|---|---|
| Common | 500 | 500 |
| | | |

10. The following information must be submitted for each United States person who is a shareholder owning at any time during the annual accounting period 5 percent or more in value of any class of outstanding stock (If more space is needed attach a supplemental schedule):

| NAME OF SHAREHOLDER | IDENTIFYING NUMBER | ADDRESS | CLASS OF STOCK | NUMBER OF SHARES HELD |
|---|---|---|---|---|
| Hirsch & Co. | 13-5511509 | 25 Broad Street<br>New York, N.Y. 10004 | Common | 500 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| 11. (a) Current earnings and profits (after reduction for foreign income, war profits, and excess profits taxes paid or accrued—see section 964(a) and the regulations thereunder) | (b) Current foreign income, war profits, and excess profits taxes paid or accrued (exclude amounts withheld on distributions) |
|---|---|
| $ 2,710.26 | $ 5,771.00 |
| (c) Distributions out of current earnings and profits | (d) Other distributions (give source) |
| $ None | $ None |

12. *Enter a summary showing the total amount of each of the following types of transactions which took place during the annual accounting period, between the controlled foreign corporation (column (1)) and the persons enumerated in columns (2), (3), (4), and (5).

| (1) TRANSACTIONS OF CONTROLLED FOREIGN CORPORATION | (2) UNITED STATES PERSON FILING RETURN | (3) ANY CORPORATION CONTROLLED BY U.S. PERSON FILING RETURN | (4) 10 PERCENT OR MORE U.S. SHAREHOLDER OF CONTROLLED FOREIGN CORPORATION (OTHER THAN CONTROLLING SHAREHOLDER) | (5) 10 PERCENT OR MORE U.S. SHAREHOLDER OF DOMESTIC CORPORATION FILING THIS RETURN |
|---|---|---|---|---|
| (a) Sales of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Sales of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (c) Compensation received for the rendition of technical, managerial, engineering, construction, scientific, or like services | 171,302.47 | | | |
| (d) Commissions received | | | | |
| (e) Rents and royalties received | | | | |
| (f) Amounts borrowed (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (g) Dividends received | | | | |
| (h) Interest received | | | | |
| (i) Premiums received for insurance or reinsurance | | | | |
| Total (lines (a) through (i)) | 171,302.47 | | | |
| (a) Purchases of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Purchases of tangible property (other than stock in trade, except where neither party to the transaction is a U.S. person) | | | | |
| (c) Purchases of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (d) Compensation paid for the rendition of technical, managerial, engineering, construction, scientific, or like services | | | | |
| (e) Commissions paid | | | | |
| (f) Rents and royalties paid | | | | |
| (g) Amounts loaned (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (h) Dividends paid | | | | |
| (i) Interest paid | | | | |
| Total (lines (a) through (i)) | | | | |

If an entry would be made in the above schedule except for the fact that no compensation was paid, indicate the categories in which this has occurred.

*If the United States person is a bank, as described in section 581, or is controlled within the meaning of section 368(c) by a bank, the term "transactions" shall not, as to a corporation with respect to which a return is filed, include banking transactions entered into on behalf of customers; in any event, however, deposits in accounts between a foreign corporation controlled by a United States person, and a bank, and withdrawals from such accounts shall be summarized by reporting end-of-month balances.

13. The following financial statements for the annual accounting period of the foreign corporation shall be filed with and made a part of this return: (a) Profit and loss statement for the period; (b) Balance sheet as of the end of the period; (c) Analysis of changes in surplus accounts (include both opening and closing balance).

14. Exchange rate used Fr. Francs 180018 to U.S. $1.00 If more than one rate is used, attach statement.

15. If this return is filed on behalf of another person or is a joint return complete the following:

| NAME | ADDRESS |
|---|---|
| | |
| | |

## Instructions

A. REQUIREMENT OF RETURN.—Every United States person shall make a separate annual information return on Form 2952 with respect to each annual accounting period beginning after December 31, 1962, of each foreign corporation which that person controls for an uninterrupted period of 30 days or more during such annual accounting period.

B. UNITED STATES PERSON.—The term "United States person" means: (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) any estate or trust (other than a foreign estate or foreign trust, the income of which from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, is not includable in gross income under Subtitle A of the Internal Revenue Code). See Section 1.6038-2(d) of the regulations for exception of certain residents of United States possessions.

C. CONTROL.—A person shall be deemed to be in control of a foreign corporation if he owns stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or more than 50 percent of the total value of shares of all classes of stock of the foreign corporation. A person in control of a corporation which, in turn, owns more than 50 percent of the combined voting power, or of the value, of all classes of stock of another corporation is also treated as being in control of such other corporation.

*Example.*—Corporation A owns 51 percent of the voting stock in Corporation B. Corporation B owns 51 percent of the voting stock in Corporation C. Corporation C in turn owns 51 percent of the voting stock in Corporation D. Corporation D is controlled by Corporation A.

D. ATTRIBUTION RULES.—For the purpose of determining control of domestic or foreign corporations the constructive ownership rules of section 318(a) shall apply, except that:

(1) Stock owned by or for a partner or a beneficiary of an estate or trust shall not be considered owned by the partnership, estate, or trust when the effect is to consider a United States person as owning stock owned by a person who is not a United States person;

(2) A corporation will not be considered as owning stock owned by or for a 50 percent or more shareholder when the effect is to consider a United States person as owning stock owned by a person who is not a United States person; and

(3) If 10 percent or more in value of the stock in a corporation is owned, directly or indirectly, by or for any person, subparagraph (C) of section 318(a)(2) shall apply.

E. PERIOD COVERED BY RETURN.—The information required by this return shall be furnished for the annual accounting period of the foreign corporation ending with or within the United States person's taxable year.

F. TIME AND PLACE FOR FILING RETURN.—Returns on Form 2952 shall be filed with the United States person's income tax return. An application for an extension of time for filing a return of income is also considered as an application for an extension of time for filing returns on Form 2952.

G. TWO OR MORE PERSONS REQUIRED TO SUBMIT THE SAME INFORMATION.—If two or more persons are required to furnish information with respect to the same foreign corporation for the same period, such persons may, in lieu of making separate returns, jointly make one return. Such joint return shall be filed with the income tax return of any one of the persons making such joint return.

H. PERSONS EXCEPTED FROM FURNISHING INFORMATION.—Any person required to furnish information under this section with respect to a foreign corporation need not furnish that information provided all of the following conditions are met:

(1) Such person does not directly own an interest in the foreign corporation;

(2) Such person is required to furnish the information solely by reason of attribution of stock ownership from a United States person;

(3) The person from whom the stock ownership is attributed furnishes all of the information required of the person to whom the stock ownership is attributed.

I. STATEMENT REQUIRED.—Any person who is required to file this return but does not do so because the information will be furnished by another person, must file a statement with his return indicating that such liability will be satisfied and identify the return with which the information will be filed and the place of filing. The statement below may be used for this purpose.

J. PENALTIES.—The information required by section 6038 of the Code must be furnished even though there are no foreign taxes which would be reduced. For criminal penalties for failure to file a return and filing a false or fraudulent return, see sections 7203, 7206, and 7207.

K. EFFECT ON TAX CREDIT.—Failure to furnish any information required by section 6038 will result in a reduction in the foreign taxes which are taken into account when figuring the credit under sections 901, 902, and 960 as provided in detail in paragraph (f) of Section 1.6038-2, Income Tax Regulations.

## STATEMENT IN REGARD TO FILING REQUIREMENT OF FORM 2952

I have not filed Form 2952 because (check applicable box):

☐ I am excepted from filing and information will be furnished by the person from whom the stock ownership is attributable.

☐ A joint return has or will be filed.

| Person filing this statement | | The information required to be furnished on Form 2952 will be filed by: | |
|---|---|---|---|
| Name | | Name | |
| Address | | Address | |
| Identifying number | Year | Internal Revenue Service office | Identifying number |

U.S. GOVERNMENT PRINTING OFFICE : 1969—O-328-364

## HIRSCH & CO. S.A.R.L.

BALANCE SHEET,
DECEMBER 31, 1969

### A S S E T S

| | |
|---|---|
| CURRENT ASSETS: | |
| Cash in bank and on hand | $13,815.33 |
| Deposits | 5,223.58 |
| Miscellaneous receivables | 16,101.01 |
| Total current assets | 35,139.92 |
| OTHER ASSETS: | |
| Furniture and fixtures - less depreciation | 2,569.43 |
| Leasehold improvements - less amortization | 2,061.00 |
| TOTAL ASSETS | $39,770.35 |

### L I A B I L I T I E S
### A N D  N E T  W O R T H

| | |
|---|---|
| LIABILITIES: | |
| Accrued taxes | $ 3,870.29 |
| Loan payable | 8,622.86 |
| Total liabilities | 12,493.15 |
| CAPITAL STOCK AND SURPLUS: | |
| Capital stock, $20 par value, authorized, issued and outstanding, 500 shares | 10,000.00 |
| Earned surplus | 17,277.20 |
| TOTAL LIABILITIES AND NET WORTH | $39,770.35 |

## HIRSCH & CO. S.A.R.L.

### STATEMENT OF INCOME AND EARNED SURPLUS
### FOR THE YEAR ENDED DECEMBER 31, 1969

| | | |
|---|---|---|
| INCOME - Service fee income | | $171,302.47 |
| OPERATING EXPENSES: | | |
| Salaries and bonus | $56,791.18 | |
| Rent | 17,077.72 | |
| Payroll taxes | 13,923.04 | |
| Telephone and telex | 39,084.40 | |
| Quotation service | 108.01 | |
| Depreciation and amortization of furniture and fixtures and leasehold improvements | 3,136.95 | |
| Travel and entertainment | 14,593.19 | |
| Stationery and printing | 3,239.35 | |
| Office maintenance and repairs | 2,028.03 | |
| Postage | 2,349.06 | |
| Gas and electricity | 771.30 | |
| Advertising | 1,982.59 | |
| Transportation indemnity | 540.05 | |
| Subscriptions | 848.51 | |
| Insurance | 151.07 | |
| Turnover | 1,434.27 | |
| Miscellaneous | 4,756.49 | 162,815.21 |
| NET INCOME BEFORE FRENCH INCOME TAXES | | 8,487.26 |
| PROVISION FOR FRENCH INCOME TAXES | | 5,771.00 |
| NET INCOME | | 2,716.26 |
| EARNED SURPLUS, JANUARY 1, 1969 | | 14,560.94 |
| EARNED SURPLUS, DECEMBER 31, 1969 | | $ 17,277.20 |

FORM 3646 (Rev. May 1966)
U.S. Treasury Department
Internal Revenue Service

# INCOME FROM CONTROLLED FOREIGN CORPORATION

(Under Sections 951 through 972 of the Internal Revenue Code)

Attach to Your Tax Return

A. Name and address as shown on your income tax return

Hirsch & Co., 25 Broad Street,
New York, N. Y. 10004

B. Taxable year ending

December 31, 1969

The following information relates to the controlled foreign corporation. A separate Form 3646 must be filed for each controlled foreign corporation. See instruction E.

C. Name, address, and employer identification number, if any, of controlled foreign corporation

Hirsch & Co., S.A.R.L.,
8 Rue de Ponthieu, Paris 8e, France

D. Taxable year ending

December 31, 1969

E. Nature of business

Promotion and solicitation of foreign customers for Hirsch & Co.

F. Country under whose laws incorporated

France

G. Date of incorporation

11/30/62

H. Country in which principal place of business is located

France

I. Has a minimum distribution election been made with respect to your total interest in the controlled foreign corporation (section 963)? Yes ☐ No ☒. If "Yes," omit Schedules B, C, and F, and line 1 of Schedule A.

J. Did the controlled foreign corporation have foreign base company income (as determined for purposes of section 954(b)(3)(A)) constituting 30 percent or more of its gross income? Yes ☐ No ☒. If "No," omit Schedule C and check if amounts were excluded under section 954(b)(2) ☐, and/or section 954(b)(4) ☐.

K. Did the controlled foreign corporation receive premiums and other consideration from the insurance of United States risks in excess of 5 percent of the premiums and consideration received from insurance of all risks (section 953)? Yes ☐ No ☒. If "No," omit line 1 of Schedule B.

L. Has any amount ever been excluded from the foreign base company income of the controlled foreign corporation because of an increase in qualified investments in less developed countries? Yes ☐ No ☒. If "Yes," complete Schedule E.

M. Has any amount ever been excluded from the subpart F income of the controlled foreign corporation because it qualified as an export trade corporation? Yes ☐ No ☒. If "Yes," complete Schedule G.

N. Did the controlled foreign corporation hold any United States property at the close of its taxable year (other than property excluded under section 956(b)(2))? Yes ☐ No ☒. If "Yes," complete Schedule D.

O. Is the controlled foreign corporation a foreign investment company or a foreign personal holding company? Yes ☐ No ☒. If "Yes," see section 951(c) or (d) and the regulations thereunder.

## SCHEDULE A—SUMMARY

| | |
|---|---|
| 1. Pro rata share of subpart F income (Schedule B) | No sub-part F income |
| 2. Pro rata share of increase in earnings invested in United States property (Schedule D) | |
| 3. Pro rata share of previously excluded subpart F income withdrawn from investment in less developed countries (Schedule E) | |
| 4. Pro rata share of previously excluded export trade income withdrawn from investment in export trade assets (Schedule G) | |
| 5. Total of lines 1 through 4. Enter here and on your tax return | |

## SCHEDULE B—PRO RATA SHARE OF SUBPART F INCOME

| | |
|---|---|
| 1. Income derived from insurance of United States risks (section 953—attach schedule) | |
| 2. Foreign base company income (Schedule C) | |
| 3. Total of lines 1 and 2 | |
| 4. Exclusion of net United States source income (section 952(b)) | |
| 5. Line 3 less line 4 | |
| 6. Pro rata share of line 5 (see regs. sec. 1.951-1(e)) | |
| 7. Pro rata share of earnings and profits limitation (sections 952(c) and (d)) | |
| 8. Line 6 or line 7, whichever is lesser | |
| 9. Pro rata share of reduction for export trade income (Schedule F) | |
| 10. Line 8 less line 9 | |
| 11. Part of year corporation was a controlled foreign corporation over entire year times line 10, i.e. $\left(\frac{\text{days}}{365} \times \text{line 10}\right)$ | |
| 12. Dividends paid to any other person with respect to your stock | |
| 13. Part of year you did not own such stock over entire year times line 10, i.e. $\left(\frac{\text{days}}{365} \times \text{line 10}\right)$ | |

## SCHEDULE C—FOREIGN BASE COMPANY INCOME

Show gross amounts before exclusions. If the entire gross income of the controlled foreign corporation is treated under section 954(b)(3)(B) as foreign base company income, omit lines 1 through 10 and enter such gross income on line 11.

| | | |
|---|---|---|
| 1. Rents and royalties | | |
| 2. Less: (a) Rents and royalties derived in the active conduct of a trade or business and received from an unrelated person (section 954(c)(3)(A)) | | |
| (b) Rents and royalties received from a related person for the use of property in the country of incorporation of the controlled foreign corporation (section 954(c)(4)(C)) | | |
| 3. Line 1 less line 2 | | |
| 4. Dividends, interest, and net gains from the sale or exchange of stock or securities | | |
| 5. Less: Dividends, interest, and net gains described in sections 954(c)(3)(B), 954(c)(4)(A), and 954(c)(4)(B) | | |
| 6. Line 4 less line 5 | | |
| 7. Other foreign personal holding company income | | |
| 8. Total foreign personal holding company income (sum of lines 3, 6, and 7) | | |
| 9. Foreign base company sales income (section 954(d)) | | |
| 10. Foreign base company services income (section 954(e)) | | |
| 11. Total of lines 8, 9, and 10 | | |
| 12. Exclusion of certain gross amounts: | | |
| (a) Shipping income described in section 954(b)(2) | | |
| (b) Income of controlled foreign corporation not availed of to substantially reduce income taxes (section 954(b)(4)) | | |
| (c) Dividends described in section 959(b) | | |
| 13. Line 11 less line 12 | | |
| 14. Deductions (including taxes) allocable to amounts included on line 13 (section 954(b)(5)) | | |
| 15. Line 13 less line 14 | | |
| 16. Exclusion of certain income described in section 954(b)(1): | | |
| (a) Net amount of line 15 attributable to dividends, interest, and net gains from qualified investments in less developed countries | | |
| (b) Increase in qualified investments in less developed countries (see regs. sec. 1.954-5—attach computation) | | |
| Check if an election is in effect for the taxable year under regs. sec. 1.955-3 ☐ | | |
| (c) Enter line 16(a) or line 16(b) whichever is lesser | | |
| 17. Foreign base company income (line 15 less line 16(c)). Enter here and on line 2, Schedule B | | |

## SCHEDULE D—PRO RATA SHARE OF INCREASE IN EARNINGS INVESTED IN UNITED STATES PROPERTY

| | |
|---|---|
| 1. Amount of United States property (other than property excluded under section 956(b)(2)) held, directly or indirectly, by the controlled foreign corporation at the close of the taxable year | |
| 2. If limitation applies, enter current and accumulated earnings and profits at the close of the taxable year (see regs. sec. 1.956-1(b)) | |
| 3. Amount of earnings invested in United States property at the close of the taxable year which would constitute a dividend if distributed on such date (line 1 or line 2, whichever is applicable) | |
| 4. Amount of United States property (other than property excluded under section 956(b)(2)) held, directly or indirectly, by the controlled foreign corporation at the close of the preceding taxable year | |
| 5. If limitation applies, enter current and accumulated earnings and profits at the close of the preceding taxable year (see regs. sec. 1.956-1(b)) | |
| 6. Amount of earnings invested in United States property at the close of the preceding taxable year which would constitute a dividend if distributed on such date (line 4 or line 5, whichever is applicable) | |
| 7. Amounts paid during the preceding taxable year to which section 959(c)(1) applies | |
| 8. Line 6 less line 7 | |
| 9. Pro rata share of line 3 (see regs. sec. 1.956-1(d)) | |
| 10. Pro rata share of line 8 (see regs. sec. 1.956-1(d)) | |
| 11. Line 9 less line 10 | |
| 12. Part of year corporation was a controlled foreign corporation over entire year times line 11, i.e. $\left(\frac{\text{days}}{365} \times \text{line 11}\right)$ | |
| 13. Amounts excludable under section 959(a)(2) | |
| [illegible] invested in United States property (line 12 less line 13). Enter here | |

## SCHEDULE E—PRO RATA SHARE OF PREVIOUSLY EXCLUDED SUBPART F INCOME WITHDRAWN FROM INVESTMENT IN LESS DEVELOPED COUNTRIES

1. Decrease in qualified investments in less developed countries (see regs. sec. 1.955–1(b)(1)—attach computation)... ____
   Check if an election is in effect for the taxable year under regs. sec. 1.955–3..... ☐.
2. Limitation (see regs. sec. 1.955–1(b)(2)):
   (a) Sum of earnings and profits for the taxable year and earnings and profits accumulated for prior taxable years beginning after December 31, 1962..... ____
   (b) Sum of amounts excluded under section 954(b)(1) from foreign base company income for all prior taxable years, less sum of such amounts withdrawn under section 955(a) for such years (see regs. sec. 1.955–1(c)(2))..... ____
3. Enter line 2(a) or line 2(b), whichever is lesser..... ____
4. Previously excluded subpart F income withdrawn for the taxable year (line 1 or line 3, whichever is lesser)... ____
5. Pro rata share of line 4 (see regs. sec. 1.955–1(c)(1))..... ____
6. Part of year corporation was a controlled foreign corporation over entire year times line 5, i.e. $\left(\frac{\text{days}}{365} \times \text{line 5}\right)$.
   Enter here and on line 3, Schedule A..... ____

## SCHEDULE F—PRO RATA SHARE OF REDUCTION FOR EXPORT TRADE INCOME

1. Total export trade income (section 971(b))..... ____
2. Amount of line 1 which constitutes foreign base company income included in line 17 of Schedule C..... ____
3. 150 percent of export promotion expenses allocable to export trade income which constitutes foreign base company income (see regs. sec. 1.970–1(b)(2)(i))..... ____
4. 10 percent of gross receipts and gross amounts received or accrued which are attributable to export trade income which constitutes foreign base company income (see regs. sec. 1.970–1(b)(2)(ii))..... ____
5. Increase in investments in export trade assets (see regs. sec. 1.970–1(d)(2)—attach computation)..... ____
   Check if an election is in effect for the taxable year under regs. sec. 1.970–2(a)(2)....☐ and/or regs. sec. 1.970–2(a)(3)....☐.
6. Line 5 times line 2 divided by line 1..... ____
7. Reduction for export trade income—enter the smallest of line 2, 3, 4, or 6..... ____
8. Pro rata share of line 7 (see regs. sec. 1.951–1(e)). Enter here and on line 9, Schedule B..... ____

## SCHEDULE G—PRO RATA SHARE OF PREVIOUSLY EXCLUDED EXPORT TRADE INCOME WITHDRAWN FROM INVESTMENT IN EXPORT TRADE ASSETS

1. Decrease in investments in export trade assets (see regs. sec. 1.970–1(d)(3)—attach computation)..... ____
   Check if an election is in effect for the taxable year under regs. sec. 1.970–2(a)(2)....☐ and/or regs. sec. 1.970–2(a)(3)....☐.
2. Pro rata share of line 1..... ____
3. Pro rata share of the sum of earnings and profits for the taxable year and earnings and profits accumulated for prior taxable years beginning after December 31, 1962 (see regs. sec. 1.970–1(c)(2)(ii))..... ____
4. Limitation under section 970(b) (see regs. sec. 1.970–1(c)(2)(i)):
   (a) Pro rata share of the sum of the amounts by which subpart F income for prior taxable years was reduced under section 970(a)..... ____
   (b) Pro rata share of the sum of the amounts which were not included in subpart F income for prior taxable years by reason of section 972..... ____
   (c) Total of lines 4(a) and 4(b)..... ____
   (d) Less: Pro rata share of the sum of the amounts which were previously included in your gross income for prior taxable years under section 951(a)(1)(A)(ii) by reason of section 970(b)..... ____
5. Line 4(c) less line 4(d)..... ____
6. Enter the smallest of line 2, 3, or 5..... ____
7. Part of year corporation was a controlled foreign corporation over entire year times line 6, i.e. $\left(\frac{\text{days}}{365} \times \text{line 6}\right)$. Enter here and on line 4, Schedule A..... ____

## SCHEDULE H—RECONCILIATION OF BOOK PROFITS TO EARNINGS AND PROFITS (See Instruction I)

Indicate the section of the Code under which earnings and profits are being determined—
Section 902 ☐ Section 963 ☐ Section 964 ☐

1. Profit (loss) for the taxable year per books of account (before reduction for any income, war profits, and excess profits taxes) .....

2. Net adjustments to book profit in determining earnings and profits for U.S. tax purposes. Enter any net addition or net subtraction for each item. No adjustment is required to be shown unless it is material in amount:

| | NET ADDITIONS | NET SUBTRACTIONS |
|---|---|---|
| (a) Capital gains or losses | | |
| (b) Depreciation | | |
| (c) Depletion | | |
| (d) Investment or incentive allowance | | |
| (e) Charges to statutory reserves | | |
| (f) Inventory valuation adjustments | | |
| (g) Other (exclude income, war profits, and excess profits taxes) | | |

3. Total net additions .....
4. Total net subtractions .....
5. Line 1 plus line 3 less line 4 .....
6. Unrealized exchange gain (loss) under section 964(a) (omit if earnings and profits are not computed under section 964(a)) .....
7. Earnings and profits for the taxable year (before reduction for any income, war profits, and excess profits taxes) (total of lines 5 and 6) .....
8. Total income, war profits, and excess profits taxes paid or accrued on or with respect to earnings and profits shown on line 7:

| COUNTRY TO WHICH PAID | AMOUNT | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | U.S. dollars |
| | | | |
| | | | |
| | | | |
| | | | |
| Total | | | |

9. Earnings and profits (after reduction for any income, war profits, and excess profits taxes) (line 7 less line 8) .....
10. If earnings and profits are computed other than under the rules of section 964(a), specify the exchange rate(s) used to convert amounts to U.S. dollars and the foreign currency so converted (attach schedule if necessary):
    (a) Foreign currency .....
    (b) Rate of exchange .....
11. Was the foreign corporation included in a minimum distribution election under section 963? Yes ☐ No ☐. If "No," omit (a) through (e):
    (a) Amount of distributions received by such corporation from other corporations included in such election .....
    (b) Amount of income, war profits, and excess profits taxes paid by such corporation by reason of the receipt of such distributions (excluding withholding taxes) .....
    (c) Amount of withholding taxes borne by such corporation by reason of the receipt of such distributions .....
    (d) Total of lines (b) and (c) .....
    (e) Exchange rate(s) used for purposes of (a), (b), and (c) .....

U.S. GOVERNMENT PRINTING OFFICE : 1969—O-215-714

Form **2952**
(Rev. Jan. 1969)
Department of the Treasury
Internal Revenue Service

# Information Return with Respect to Controlled Foreign Corporations

(Under Section 6038 of the Internal Revenue Code)

For Calendar Year 19.69
or other taxable year beginning ..... 19..... and ending ..... 19.....

Name of United States person: Hirsch & Co.

Address: 25 Broad Street, New York, New York 10004

Identifying number (Social security number or employer identification number if other than individual): 13-5511509

**The following information must be submitted on a separate Form 2952 for each Controlled Foreign Corporation (See instructions). Amounts must be stated in U.S. dollars and all information must be in the English language.**

1. (a) Name and address of foreign corporation: Hirsch & Co. Gesellschaft M.b.H.
1., Universitatstrasse, 5, Vienna 1010, Austria
(b) Employer identification No., if any: None

2. Name and address of statutory or resident agent in country of incorporation: Paul Czernin, c/o Hirsch & Co..Gesellschaft M.b.H.
1., Universitatstrasse, 5, Vienna 1010, Austria

3. (a) Name and address of branch or agent in the United States: None
(b) Identifying number:

4. Name and address of custodian of books and records and location of books and records if different from such address: Same as 2. above

5. Nature of business and principal cities and countries where conducted: See answer to item 5 below

6. Date of incorporation: November 1967

7. Information furnished for period—beginning Jan. 1 19.69 ending Dec. 31 1969

8. Country under whose laws incorporated: Austria

| 9. (a) Description of each class of stock | (b) Number of shares of each class outstanding— at the beginning of the annual accounting period | at the end of the annual accounting period |
|---|---|---|
| Capital stock | 250 | 250 |
| | | |

10. The following information must be submitted for each United States person who is a shareholder owning at any time during the annual accounting period 5 percent or more in value of any class of outstanding stock (If more space is needed attach a supplemental schedule):

| NAME OF SHAREHOLDER | IDENTIFYING NUMBER | ADDRESS | CLASS OF STOCK | NUMBER OF SHARES HELD |
|---|---|---|---|---|
| Hirsch & Co. | 13-5511509 | 25 Broad Street, New York, N. Y. 10004 | Capital | 250 |

Answer to item 5:

Corporation will represent the interest of Hirsch & Co. in Austria, transmitting orders for purchase and sale of securities from customers resident in Austria, providing quotations, information and other services for customers in Austria, and furnishing Hirsch & Co. with financial and commercial information relating to security markets in Austria.

| 11. (a) Current earnings and profits (after reduction for foreign income, war profits, and excess profits taxes paid or accrued—see section 964(a) and the regulations thereunder) | (b) Current foreign income, war profits, and excess profits taxes paid or accrued (exclude amounts withheld on distributions) |
|---|---|
| $ 65.76 | $ 420.69 |
| (c) Distributions out of current earnings and profits | (d) Other distributions (give source) |
| $ None | $ None |

12. *Enter a summary showing the total amount of each of the following types of transactions which took place during the annual accounting period, between the controlled foreign corporation (column (1)) and the persons enumerated in columns (2), (3), (4), and (5).

| (1) TRANSACTIONS OF CONTROLLED FOREIGN CORPORATION | (2) UNITED STATES PERSON FILING RETURN | (3) ANY CORPORATION CONTROLLED BY U.S. PERSON FILING RETURN | (4) 10 PERCENT OR MORE U.S. SHAREHOLDER OF CONTROLLED FOREIGN CORPORATION (OTHER THAN CONTROLLING SHAREHOLDER) | (5) 10 PERCENT OR MORE U.S. SHAREHOLDER OF DOMESTIC CORPORATION FILING THIS RETURN |
|---|---|---|---|---|
| (a) Sales of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Sales of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (c) Compensation received for the rendition of technical, managerial, engineering, construction, scientific, or like services | 46,882.92 | | | |
| (d) Commissions received | | | | |
| (e) Rents and royalties received | | | | |
| (f) Amounts borrowed (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (g) Dividends received | | | | |
| (h) Interest received | | | | |
| (i) Premiums received for insurance or reinsurance | | | | |
| Total (lines (a) through (i)) | 46,882.92 | | | |
| (a) Purchases of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Purchases of tangible property (other than stock in trade, except where neither party to the transaction is a U.S. person) | | | | |
| (c) Purchases of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (d) Compensation paid for the rendition of technical, managerial, engineering, construction, scientific, or like services | | | | |
| (e) Commissions paid | | | | |
| (f) Rents and royalties paid | | | | |
| (g) Amounts loaned (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (h) Dividends paid | | | | |
| (i) Interest paid | | | | |
| Total (lines (a) through (i)) | | | | |

If an entry would be made in the above schedule except for the fact that no compensation was paid, indicate the categories in which this has occurred.

*If the United States person is a bank, as described in section 581, or is controlled within the meaning of section 368(c) by a bank, the term "transactions" shall not, as to a corporation with respect to which a return is filed, include banking transactions entered into on behalf of customers; in any event, however, deposits in accounts between a foreign corporation controlled by a United States person, and a bank, and withdrawals from such accounts shall be summarized by reporting end-of-month balances.

13. The following financial statements for the annual accounting period of the foreign corporation shall be filed with and made a part of this return: (a) Profit and loss statement for the period; (b) Balance sheet as of the end of the period; (c) Analysis of changes in surplus accounts (include both opening and closing balances).

14. Exchange rate used Austrian schillings .03872 to U.S. 1.00 (If more than one rate is used, attach statement.)

15. If this return is filed on behalf of another person or is a joint return complete the following:

| NAME | ADDRESS |
|---|---|
| | |

## Instructions

A. REQUIREMENT OF RETURN.—Every United States person shall make a separate annual information return on Form 2952 with respect to each annual accounting period beginning after December 31, 1962, of each foreign corporation which that person controls for an uninterrupted period of 30 days or more during such annual accounting period.

B. UNITED STATES PERSON.—The term "United States person" means: (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) any estate or trust (other than a foreign estate or foreign trust, the income of which from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, is not includable in gross income under Subtitle A of the Internal Revenue Code). See Section 1.6038-2(d) of the regulations for exception of certain residents of United States possessions.

C. CONTROL.—A person shall be deemed to be in control of a foreign corporation if he owns stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or more than 50 percent of the total value of shares of all classes of stock of the foreign corporation. A person in control of a corporation which, in turn, owns more than 50 percent of the combined voting power, or of the value, of all classes of stock of another corporation is also treated as being in control of such other corporation.

*Example.*—Corporation A owns 51 percent of the voting stock in Corporation B. Corporation B owns 51 percent of the voting stock in Corporation C. Corporation C in turn owns 51 percent of the voting stock in Corporation D. Corporation D is controlled by Corporation A.

D. ATTRIBUTION RULES.—For the purpose of determining control of domestic or foreign corporations the constructive ownership rules of section 318(a) shall apply, except that:

(1) Stock owned by or for a partner or a beneficiary of an estate or trust shall not be considered owned by the partnership, estate, or trust when the effect is to consider a United States person as owning stock owned by a person who is not a United States person;

(2) A corporation will not be considered as owning stock owned by or for a 50 percent or more shareholder when the effect is to consider a United States person as owning stock owned by a person who is not a United States person; and

(3) If 10 percent or more in value of the stock in a corporation is owned, directly or indirectly, by or for any person, subparagraph (C) of section 318(a)(2) shall apply.

E. PERIOD COVERED BY RETURN.—The information required by this return shall be furnished for the annual accounting period of the foreign corporation ending with or within the United States person's taxable year.

F. TIME AND PLACE FOR FILING RETURN.—Returns on Form 2952 shall be filed with the United States person's income tax return. An application for an extension of time for filing a return of income is also considered as an application for an extension of time for filing returns on Form 2952.

G. TWO OR MORE PERSONS REQUIRED TO SUBMIT THE SAME INFORMATION.—If two or more persons are required to furnish information with respect to the same foreign corporation for the same period, such persons may, in lieu of making separate returns jointly make one return. Such joint return shall be filed with the income tax return of any one of the persons making such joint return.

H. PERSONS EXCEPTED FROM FURNISHING INFORMATION.—Any person required to furnish information under this section with respect to a foreign corporation need not furnish that information provided all of the following conditions are met:

(1) Such person does not directly own an interest in the foreign corporation;

(2) Such person is required to furnish the information solely by reason of attribution of stock ownership from a United States person;

(3) The person from whom the stock ownership is attributed furnishes all of the information required of the person to whom the stock ownership is attributed.

I. STATEMENT REQUIRED.—Any person who is required to file this return but does not do so because the information will be furnished by another person, must file a statement with his return indicating that such liability will be satisfied and identify the return with which the information will be filed and the place of filing. The statement below may be used for this purpose.

J. PENALTIES.—The information required by section 6038 of the Code must be furnished even though there are no foreign taxes which would be reduced. For criminal penalties for failure to file return and filing a false or fraudulent return, see sections 7203, 7206, and 7207.

K. EFFECT ON TAX CREDIT.—Failure to furnish any information required by section 6038 will result in a reduction in the foreign taxes which are taken into account when figuring the credit under sections 901, 902, and 960 as provided in detail in paragraph (f) of Section 1.6038-2, Income Tax Regulations.

## STATEMENT IN REGARD TO FILING REQUIREMENT OF FORM 2952

I have not filed Form 2952 because (check applicable box):

☐ I am excepted from filing and information will be furnished by the person from whom the stock ownership is attributable.

☐ A joint return has or will be filed.

| Person filing this statement | | The information required to be furnished on Form 2952 will be filed by: | |
|---|---|---|---|
| Name | | Name | |
| Address | | Address | |
| Identifying number | Year | Internal Revenue Service office | Identifying number |

U.S. GOVERNMENT PRINTING OFFICE : 1968 — O-326-384

## HIRSCH & CO. GESELLSCHAFT M.b.H.

## BALANCE SHEET, DECEMBER 31, 1969

### A S S E T S

| | |
|---|---|
| CURRENT ASSETS: | |
| Cash in banks and on hand | $ 242.09 |
| Due from Hirsch & Co | 6,295.28 |
| Total current assets | 6,537.37 |
| OTHER ASSETS: | |
| Furniture and fixtures - less depreciation | 5,146.24 |
| Leasehold improvements - less amortization | 3,230.38 |
| TOTAL ASSETS | $14,913.99 |

### L I A B I L I T I E S A N D N E T W O R T H

| | |
|---|---|
| LIABILITIES: | |
| Accrued taxes | $ 313.89 |
| Taxes withheld | 570.18 |
| Loans payable | 3,875.22 |
| Other accrued expenses | 192.98 |
| Total liabilities | 4,952.27 |
| CAPITAL STOCK AND (DEFICIT): | |
| Capital stock | 9,708.74 |
| Earned surplus | 252.98 |
| TOTAL LIABILITIES AND NET WORTH | $14,913.99 |

## HIRSCH & CO. GESELLSCHAFT M.b.H.

### STATEMENT OF INCOME AND EARNED SURPLUS
### FOR THE PERIOD ENDED DECEMBER 31, 1969

| | | |
|---|---|---|
| INCOME: | | |
| Service fee income | | $45,914.11 |
| Special fee income | | 968.81 |
| Interest income | | 4.25 |
| Total income | | 46,887.17 |
| OPERATING EXPENSES: | | |
| Salaries and bonus | $20,553.37 | |
| Rent | 3,011.80 | |
| Payroll taxes | 3,153.89 | |
| Telephone and telex | 12,600.64 | |
| Depreciation and amortization of furniture and fixtures and leasehold improvements | 1,670.38 | |
| Travel and entertainment | 1,299.16 | |
| Stationery and printing | 549.78 | |
| Office maintenance and repairs | 138.38 | |
| Postage | 331.21 | |
| Gas and electric | 415.36 | |
| Advertising | 31.97 | |
| Interest | 246.59 | |
| Subscriptions | 89.36 | |
| Insurance | 31.23 | |
| Professional fees | 897.38 | |
| Miscellaneous | 792.22 | 45,812.72 |
| NET INCOME BEFORE AUSTRIAN INCOME TAXES | | 1,074.45 |
| PROVISION FOR AUSTRIAN INCOME TAXES | | 420.69 |
| NET INCOME | | 653.76 |
| (DEFICIT), JANUARY 1, 1969 | | (400.78) |
| EARNED SURPLUS, DECEMBER 31, 1969 | | $ 252.98 |

FORM 3646 (Rev. May 1956)
U.S. Treasury Department
Internal Revenue Service

# INCOME FROM CONTROLLED FOREIGN CORPORATION

(Under Sections 951 through 972 of the Internal Revenue Code)

Attach to Your Tax Return

A. Name and address as shown on your income tax return

Hirsch & Co., 25 Broad Street, New York, N. Y. 10004

B. Taxable year ending

December 31, 1969

The following information relates to the controlled foreign corporation. A separate Form 3646 must be filed for each controlled foreign corporation. See instruction E.

C. Name, address, and employer identification number, if any, of controlled foreign corporation

Hirsch & Co. Gesellschaft M.b.H.
1., Universitatsstrasse 5, Vienna 1010, Austria

D. Taxable year ending

December 31, 196

E. Nature of business

See page 3

F. Country under whose laws incorporated

Austria

G. Date of incorporation

November 1967

H. Country in which principal place of business is located

Austria

I. Has a minimum distribution election been made with respect to your total interest in the controlled foreign corporation (section 963)? Yes ☐ No ☒. If "Yes," omit Schedules B, C, and F, and line 1 of Schedule A.

J. Did the controlled foreign corporation have foreign base company income (as determined for purposes of section 954(b)(3)(A)) constituting 30 percent or more of its gross income? Yes ☐ No ☒. If "No," omit Schedule C and check if amounts were excluded under section 954(b)(2) ☐, and/or section 954(b)(4) ☐.

K. Did the controlled foreign corporation receive premiums and other consideration from the insurance of United States risks in excess of 5 percent of the premiums and consideration received from insurance of all risks (section 953)? Yes ☐ No ☒. If "No," omit line 1 of Schedule B.

L. Has any amount ever been excluded from the foreign base company income of the controlled foreign corporation because of an increase in qualified investments in less developed countries? Yes ☐ No ☒. If "Yes," complete Schedule E.

M. Has any amount ever been excluded from the subpart F income of the controlled foreign corporation because it qualified as an export trade corporation? Yes ☐ No ☒. If "Yes," complete Schedule G.

N. Did the controlled foreign corporation hold any United States property at the close of its taxable year (other than property excluded under section 956(b)(2))? Yes ☐ No ☒. If "Yes," complete Schedule D.

O. Is the controlled foreign corporation a foreign investment company or a foreign personal holding company? Yes ☐ No ☒. If "Yes," see section 951(c) or (d) and the regulations thereunder.

## SCHEDULE A—SUMMARY

| | |
|---|---|
| 1. Pro rata share of subpart F income (Schedule B) | No sub-part F income |
| 2. Pro rata share of increase in earnings invested in United States property (Schedule D) | |
| 3. Pro rata share of previously excluded subpart F income withdrawn from investment in less developed countries (Schedule E) | |
| 4. Pro rata share of previously excluded export trade income withdrawn from investment in export trade assets (Schedule G) | |
| 5. Total of lines 1 through 4. Enter here and on your tax return | |

## SCHEDULE B—PRO RATA SHARE OF SUBPART F INCOME

| | |
|---|---|
| 1. Income derived from insurance of United States risks (section 953—attach schedule) | |
| 2. Foreign base company income (Schedule C) | |
| 3. Total of lines 1 and 2 | |
| 4. Exclusion of net United States source income (section 952(b)) | |
| 5. Line 3 less line 4 | |
| 6. Pro rata share of line 5 (see regs. sec. 1.951-1(e)) | |
| 7. Pro rata share of earnings and profits limitation (sections 952(c) and (d)) | |
| 8. Line 6 or line 7, whichever is lesser | |
| 9. Pro rata share of reduction for export trade income (Schedule F) | |
| 10. Line 8 less line 9 | |
| 11. Part of year corporation was a controlled foreign corporation over entire year times line 10, i.e. $\left(\frac{\text{days}}{365} \times \text{line 10}\right)$ | |
| 12. Dividends paid to any other person with respect to your stock | |
| 13. Part of year you did not own such stock over entire year times line 10, i.e. $\left(\frac{\text{days}}{365} \times \text{line 10}\right)$ | |

## SCHEDULE C—FOREIGN BASE COMPANY INCOME

Show gross amounts before exclusions. If the entire gross income of the controlled foreign corporation is treated under section 954(b)(3)(B) as foreign base company income, omit lines 1 through 10 and enter such gross income on line 11.

| | | |
|---|---|---|
| 1. Rents and royalties | | |
| 2. Less: (a) Rents and royalties derived in the active conduct of a trade or business and received from an unrelated person (section 954(c)(3)(A)) | | |
| (b) Rents and royalties received from a related person for the use of property in the country of incorporation of the controlled foreign corporation (section 954(c)(4)(C)) | | |
| 3. Line 1 less line 2 | | |
| 4. Dividends, interest, and net gains from the sale or exchange of stock or securities | | |
| 5. Less: Dividends, interest, and net gains described in sections 954(c)(3)(B), 954(c)(4)(A), and 954(c)(4)(B) | | |
| 6. Line 4 less line 5 | | |
| 7. Other foreign personal holding company income | | |
| 8. Total foreign personal holding company income (sum of lines 3, 6, and 7) | | |
| 9. Foreign base company sales income (section 954(d)) | | |
| 10. Foreign base company services income (section 954(e)) | | |
| 11. Total of lines 8, 9, and 10 | | |
| 12. Exclusion of certain gross amounts: | | |
| (a) Shipping income described in section 954(b)(2) | | |
| (b) Income of controlled foreign corporation not availed of to substantially reduce income tax (section 954(b)(4)) | | |
| (c) Dividends described in section 959(b) | | |
| 13. Line 11 less line 12 | | |
| 14. Deductions (including taxes) allocable to amounts included on line 13 (section 954(b)(5)) | | |
| 15. Line 13 less line 14 | | |
| 16. Exclusion of certain income described in section 954(b)(1): | | |
| (a) Net amount of line 15 attributable to dividends, interest, and net gains from qualified investments in less developed countries | | |
| (b) Increase in qualified investments in less developed countries (see regs. sec. 1.954-5—attach computation) | | |
| Check if an election is in effect for the taxable year under regs. sec. 1.955-3 ☐ | | |
| (c) Enter line 16(a) or line 16(b) whichever is lesser | | |
| 17. Foreign base company income (line 15 less line 16(c)). Enter here and on line 2, Schedule B | | |

## SCHEDULE D—PRO RATA SHARE OF INCREASE IN EARNINGS INVESTED IN UNITED STATES PROPERTY

| | |
|---|---|
| 1. Amount of United States property (other than property excluded under section 956(b)(2)) held, directly or indirectly, by the controlled foreign corporation at the close of the taxable year | |
| 2. If limitation applies, enter current and accumulated earnings and profits at the close of the taxable year (see regs. sec. 1.956-1(b)) | |
| 3. Amount of earnings invested in United States property at the close of the taxable year which would constitute a dividend if distributed on such date (line 1 or line 2, whichever is applicable) | |
| 4. Amount of United States property (other than property excluded under section 956(b)(2)) held, directly or indirectly, by the controlled foreign corporation at the close of the preceding taxable year | |
| 5. If limitation applies, enter current and accumulated earnings and profits at the close of the preceding taxable year (see regs. sec. 1.956-1(b)) | |
| 6. Amount of earnings invested in United States property at the close of the preceding taxable year which would constitute a dividend if distributed on such date (line 4 or line 5, whichever is applicable) | |
| 7. Amounts paid during the preceding taxable year to which section 959(c)(1) applies | |
| 8. Line 6 less line 7 | |
| 9. Pro rata share of line 3 (see regs. sec. 1.956-1(d)) | |
| 10. Pro rata share of line 8 (see regs. sec. 1.956-1(d)) | |
| 11. Line 9 less line 10 | |
| 12. Part of year corporation was a controlled foreign corporation over entire year times line 11, i.e. $\left(\frac{\text{days}}{365} \times \text{line 11}\right)$ | |
| 13. Amounts excludable under section 959(a)(2) | |
| 14. Pro rata share of increase in earnings invested in United States property (line 12 less line 13). Enter here and on line 2, Schedule A | |

## SCHEDULE E—PRO RATA SHARE OF PREVIOUSLY EXCLUDED SUBPART F INCOME WITHDRAWN FROM INVESTMENT IN LESS DEVELOPED COUNTRIES

| | |
|---|---|
| 1. Decrease in qualified investments in less developed countries (see regs. sec. 1.955-1(b)(1)—attach computation) ... | |
| Check if an election is in effect for the taxable year under regs. sec. 1.955-3..... ☐. | |
| 2. Limitation (see regs. sec. 1.955-1(b)(2)): | |
| (a) Sum of earnings and profits for the taxable year and earnings and profits accumulated for prior taxable years beginning after December 31, 1962..... | |
| (b) Sum of amounts excluded under section 954(b)(1) from foreign base company income for all prior taxable years, less sum of such amounts withdrawn under section 955(a) for such years (see regs. sec. 1.955-1(c)(2))..... | |
| 3. Enter line 2(a) or line 2(b), whichever is lesser..... | |
| 4. Previously excluded subpart F income withdrawn for the taxable year (line 1 or line 3, whichever is lesser) ... | |
| 5. Pro rata share of line 4 (see regs. sec. 1.955-1(c)(1))..... | |
| 6. Part of year corporation was a controlled foreign corporation over entire year times line 5, i.e. $\left(\frac{\text{days}}{365} \times \text{line 5}\right)$. Enter here and on line 3, Schedule A..... | |

## SCHEDULE F—PRO RATA SHARE OF REDUCTION FOR EXPORT TRADE INCOME

| | |
|---|---|
| 1. Total export trade income (section 971(b))..... | |
| 2. Amount of line 1 which constitutes foreign base company income included in line 17 of Schedule C..... | |
| 3. 150 percent of export promotion expenses allocable to export trade income which constitutes foreign base company income (see regs. sec. 1.970-1(b)(2)(i))..... | |
| 4. 10 percent of gross receipts and gross amounts received or accrued which are attributable to export trade income which constitutes foreign base company income (see regs. sec. 1.970-1(b)(2)(ii))..... | |
| 5. Increase in investments in export trade assets (see regs. sec. 1.970-1(d)(2)—attach computation)..... | |
| Check if an election is in effect for the taxable year under regs. sec. 1.970-2(a)(2)....☐ and/or regs. sec. 1.970-2(a)(3)....☐. | |
| 6. Line 5 times line 2 divided by line 1..... | |
| 7. Reduction for export trade income—enter the smallest of line 2, 3, 4, or 6..... | |
| 8. Pro rata share of line 7 (see regs. sec. 1.951-1(e)). Enter here and on line 9, Schedule B..... | |

## SCHEDULE G—PRO RATA SHARE OF PREVIOUSLY EXCLUDED EXPORT TRADE INCOME WITHDRAWN FROM INVESTMENT IN EXPORT TRADE ASSETS

| | |
|---|---|
| 1. Decrease in investments in export trade assets (see regs. sec. 1.970-1(d)(3)—attach computation)..... | |
| Check if an election is in effect for the taxable year under regs. sec. 1.970-2(a)(2)....☐ and/or regs. sec. 1.970-2(a)(3)....☐. | |
| 2. Pro rata share of line 1..... | |
| 3. Pro rata share of the sum of earnings and profits for the taxable year and earnings and profits accumulated for prior taxable years beginning after December 31, 1962 (see regs. sec. 1.970-1(c)(2)(ii))..... | |
| 4. Limitation under section 970(b) (see regs. sec. 1.970-1(c)(2)(i)): | |
| (a) Pro rata share of the sum of the amounts by which subpart F income for prior taxable years was reduced under section 970(a)..... | |
| (b) Pro rata share of the sum of the amounts which were not included in subpart F income for prior taxable years by reason of section 972..... | |
| (c) Total of lines 4(a) and 4(b)..... | |
| (d) Less: Pro rata share of the sum of the amounts which were previously included in your gross income for prior taxable years under section 951(a)(1)(A)(ii) by reason of section 970(b)..... | |
| 5. Line 4(c) less line 4(d)..... | |
| 6. Enter the smallest of line 2, 3, or 5..... | |
| 7. Part of year corporation was a controlled foreign corporation over entire year times line 6, i.e. $\left(\frac{\text{days}}{365} \times \text{line 6}\right)$. Enter here and on line 4, Schedule A..... | |

Answer to item E, page 1: Corporation will represent the interest of Hirsch & Co. in Austria, transmitting orders for purchase and sale of securities from customers resident in Austria, providing quotations, information and other services for customers in Austria, and furnishing Hirsch & Co. with financial and commercial information

## SCHEDULE H—RECONCILIATION OF BOOK PROFITS TO EARNINGS AND PROFITS (See Instruction I)

Indicate the section of the Code under which earnings and profits are being determined—

Section 902 ☐ Section 963 ☐ Section 964 ☐

| | | |
|---|---|---|
| 1. Profit (loss) for the taxable year per books of account (before reduction for any income, war profits, and excess profits taxes) | | |
| 2. Net adjustments to book profit in determining earnings and profits for U.S. tax purposes. Enter only a net addition or net subtraction for each item. No adjustment is required to be shown unless it is material in amount: | NET ADDITIONS | NET SUBTRACTIONS |
| (a) Capital gains or losses | | |
| (b) Depreciation | | |
| (c) Depletion | | |
| (d) Investment or incentive allowance | | |
| (e) Charges to statutory reserves | | |
| (f) Inventory valuation adjustments | | |
| (g) Other (exclude income, war profits, and excess profits taxes) | | |
| 3. Total net additions | | |
| 4. Total net subtractions | | |
| 5. Line 1 plus line 3 less line 4 | | |
| 6. Unrealized exchange gain (loss) under section 964(a) (omit if earnings and profits are not computed under section 964(a)) | | |
| 7. Earnings and profits for the taxable year (before reduction for any income, war profits, and excess profits taxes) (total of lines 5 and 6) | | |

8. Total income, war profits, and excess profits taxes paid or accrued on or with respect to earnings and profits shown on line 7:

| COUNTRY TO WHICH PAID | AMOUNT | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | U.S. dollars |
| | | | |
| | | | |
| | | | |
| | | | |
| Total | | | |

| | |
|---|---|
| 9. Earnings and profits (after reduction for any income, war profits, and excess profits taxes) (line 7 less line 8) | |
| 10. If earnings and profits are computed other than under the rules of section 964(a), specify the exchange rate(s) used to convert amounts to U.S. dollars and the foreign currency so converted (attach schedule if necessary): | |
| (a) Foreign currency | |
| (b) Rate of exchange | |
| 11. Was the foreign corporation included in a minimum distribution election under section 963? Yes ☐ No ☐. If "No," omit (a) through (e): | |
| (a) Amount of distributions received by such corporation from other corporations included in such election | |
| (b) Amount of income, war profits, and excess profits taxes paid by such corporation by reason of the receipt of such distributions (excluding withholding taxes) | |
| (c) Amount of withholding taxes borne by such corporation by reason of the receipt of such distributions | |
| (d) Total of lines (b) and (c) | |
| (e) Exchange rate(s) used for purposes of (a), (b), and (c) | |

U.S. GOVERNMENT PRINTING OFFICE : 1966—O-219-714

IBM International Business Machines Corporation

STATEMENT NUMBER E1 156225

2 BROADWAY NEW YORK N Y 10004 TEL 212-363-7700

# INVESTMENT INCENTIVE TAX CREDIT
# LESSOR'S ELECTION STATEMENT

RETURN DATE 02/28/69

LESSEE. INSTALLED AT ADDRESS

| PREPARATION DATE | IBM REFERENCE | PAGE NO. |
|---|---|---|
| 01/18/69 | 461 42820-00 | 1 |

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LESSEE MAIL TO ADDRESS

HIRSCH AND CO
25 BROAD ST
NEW YORK NY 10004

| PROPERTY DESCRIPTION: MACHINE TYPE AND SERIAL NUMBER | IBM FEATURE OR MODEL QUANTITY | IBM FEATURE OR MODEL NUMBER | POSSESSION TRANSFER DATE (RENTAL START) | MONTHLY RATE | FAIR MARKET VALUE | ESTIMATED USEFUL LIFE CATEGORY (*) | IF TAX CREDIT REJECTED ENTER ITEM NO. IN REASON COLUMN A: ITEM NO. | A: NON QUALIFYING USE | B: OTHER |
|---|---|---|---|---|---|---|---|---|---|
| 401 28700 | | | 12/04/68 | 500.00 | 22,700. | 1 | 1 | | |

13-0871985
IBM TAXPAYER ACCOUNT NUMBER

NEW YORK, NEW YORK
IRS DISTRICT DIRECTOR'S OFFICE WHERE TAX RETURN IS FILED

INTERNATIONAL BUSINESS MACHINES CORPORATION

IBM AUTHORIZED SIGNATURE

CODE: 1—ESTIMATED USEFUL LIFE OF 4 YEARS OR MORE BUT LESS THAN 6 YRS.
2—ESTIMATED USEFUL LIFE OF 6 YEARS OR MORE BUT LESS THAN 8 YRS.
3—ESTIMATED USEFUL LIFE OF 8 YEARS OR MORE.

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IBM

International Business Machines Corporation

STATEMENT NUMBER 157376

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# INVESTMENT INCENTIVE TAX CREDIT LESSOR'S ELECTION STATEMENT

RETURN DATE 03/31/

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PREPARATION DATE 03/06/69 | IBM REFERENCE 461 42820-00 | PAGE NO. 1

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25 BROAD ST
NEW YORK NY 10004

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|---|---|---|---|---|---|---|---|---|---|
| 029 H4339 | | | 01/30/69 | 102.00 | 4,920. | 2 | 1 | | |
| 029 H4340 | | | 01/30/69 | 102.00 | 4,920. | 2 | 2 | | |
| 029 H4369 | | | 01/30/69 | 102.00 | 4,920. | 2 | 3 | | |

13-0871985
IBM TAXPAYER ACCOUNT NUMBER

NEW YORK, NEW YORK
IRS DISTRICT DIRECTOR'S OFFICE WHERE TAX RETURN IS FILED

INTERNATIONAL BUSINESS MACHINES CORPORATION

IBM AUTHORIZED SIGNATURE

CODE: 1—ESTIMATED USEFUL LIFE OF 4 YEARS OR MORE BUT LESS THAN 6 YRS.
2—ESTIMATED USEFUL LIFE OF 6 YEARS OR MORE BUT LESS THAN 8 YRS.
3—ESTIMATED USEFUL LIFE OF 8 YEARS OR MORE.

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IBM International Business Machines Corporation

STATEMENT NUMBER 161721

2 BROADWAY NEW YORK N Y 10004 TEL 212-363-7700

# INVESTMENT INCENTIVE TAX CREDIT LESSOR'S ELECTION STATEMENT

RETURN DATE 04/30/69

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|---|---|---|---|---|---|---|---|---|---|
| 9 H4337 | | | 01/31/69 | 102.00 | 4,920. | 2 | 1 | | |
| 9 H4338 | | | 01/31/69 | 102.00 | 4,920. | 2 | 2 | | |
| 9 H4370 | | | 02/03/69 | 102.00 | 4,920. | 2 | 3 | | |
| 9 H4371 | | | 02/03/69 | 102.00 | 4,920. | 2 | 4 | | |
| 9 H4372 | | | 01/31/69 | 102.00 | 4,920. | 2 | 5 | | |
| 9 H4373 | | | 01/31/69 | 105.00 | 5,020. | 2 | 6 | | |

0-0871985 — IBM TAXPAYER ACCOUNT NUMBER

NEW YORK, NEW YORK — IRS DISTRICT DIRECTOR'S OFFICE WHERE TAX RETURN IS FILED

INTERNATIONAL BUSINESS MACHINES CORPORATION

IBM AUTHORIZED SIGNATURE

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2—ESTIMATED USEFUL LIFE OF 6 YEARS OR MORE BUT LESS THAN 8 YRS.
3—ESTIMATED USEFUL LIFE OF 8 YEARS OR MORE

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International Business Machines Corporation
BROADWAY NEW YORK N Y 10004 TEL 212-363-7700

STATEMENT NUMBER E 163849

# INVESTMENT INCENTIVE TAX CREDIT LESSOR'S ELECTION STATEMENT

RETURN DATE 05/31/69

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|---|---|---|
| 04/24/69 | 461 42820-00 | 1 |

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|---|---|---|---|---|---|---|---|---|---|
| 22958 | 1 | 5555 | 03/06/69 | 5.00 | 285. | 1 | 1 | | |
| 22772 | | E54022 | 10/25/68 | 150.00 | 5,100. | 1 | 2 | | |

0971985
IBM TAXPAYER ACCOUNT NUMBER

NEW YORK, NEW YORK
IRS DISTRICT DIRECTOR'S OFFICE WHERE TAX RETURN IS FILED

INTERNATIONAL BUSINESS MACHINES CORPORATION

IBM AUTHORIZED SIGNATURE

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2—ESTIMATED USEFUL LIFE OF 6 YEARS OR MORE BUT LESS THAN 8 YRS.
3—ESTIMATED USEFUL LIFE OF 8 YEARS OR MORE.

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COPY 2 - LESSEE'S COPY.

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5/2/69

LESSEE'S AUTHORIZED SIGNATURE — DATE

Deft. H&S Ex. R, pp. 814a - 868a

p. 814a

Form 1065 — Dept. of the Treasury, Internal Revenue Service

# U.S. Partnership Return of Income

FOR CALENDAR YEAR 1970 or other taxable year beginning ..... 1970, and ending ..... 19..

1970

A Principal business activity (See instructions): Commissions

B Principal product or service (See instructions): Stockbrokers

C Enter total assets from line 13, column (D), Schedule L: $ 517912.31

Name: Hirsch & Co. in liquidation
Attention of Mr. Paul L. Kohns

Number and street: c/o P.I. du Pont, Glore Forgan & Co.
1 Wall Street

City or town, State, and ZIP code: New York, New York 10004

D Employer identification No.: 13-5511509

E Business code no.: 3310

F County in which located: New York

G Date business commenced: 1911

IMPORTANT—All applicable lines and questions must be answered. If necessary, schedules may be attached. See instructions.

## INCOME

| | | |
|---|---|---|
| 1 | Gross receipts or gross sales ..... Less: Returns and allowances ..... | |
| 2 | Less: Cost of goods sold (Schedule A) and/or operations (attach schedule) | |
| 3 | Gross profit (line 1 less line 2) | 113221.60 |
| 4 | Income (loss) from other partnerships, syndicates, etc. (attach statement) | |
| 5 | Nonqualifying dividends (attach list—see Instruction 5) | 18421.91 |
| 6 | Interest | 1335812.35 |
| 7 | Rents (Schedule B) | |
| 8 | Royalties (attach schedule) Commission | 5175567.53 |
| 9 | Net farm profit (loss) (Schedule F, Form 1040) | |
| 10 | Net ordinary gain (loss) (line 10, Schedule D, Form 1065) | |
| 11 | Other income (attach schedule) Misc. fees, services, & handling charges | 222399.53 |
| 12 | TOTAL income (lines 3 through 11) | $8547122.92 |

## DEDUCTIONS

| | | |
|---|---|---|
| 13 | Salaries and wages (other than to partners) | 4037309.04 |
| 14 | Payments to partners—salaries and interest | 407506.70 |
| 15 | Rent | 327846.96 |
| 16 | Interest (Schedule J) | 1305240.80 |
| 17 | Taxes (Schedule J) | 143164.97 |
| 18 | Bad debts (Schedule H if reserve method is used) | 8232.22 |
| 19 | Repairs | 53239.58 |
| 20 | Depreciation (Schedule I) | 95170.35 |
| 21 | Amortization (attach schedule) | |
| 22 | Depletion (attach schedule) | |
| 23 | Retirement plans, etc. (other than contributions made on partners' behalf—see Instruction 23) | |
| 24 | Other deductions (Schedule J) | 3423281.31 |
| 25 | TOTAL deductions (lines 13 through 24) | $9894972.93 |
| 26 | Ordinary income (loss) (line 12 less line 25) (see General Instruction G) | ($1347850.01) |

## Schedule A—COST OF GOODS SOLD

| | | |
|---|---|---|
| 1 | Inventory at beginning of year (if different from last year's closing inventory, attach explanation) | |
| 2 | Purchases | |
| | Less: Cost of items withdrawn for personal use | |
| 3 | Cost of labor | |
| 4 | Material and supplies | |
| 5 | Other costs (attach schedule) | |
| 6 | Total of lines 1 through 5 | |
| 7 | Less: Inventory at end of year | |
| 8 | Cost of goods sold. Enter here and on line 2, above | |

(Method of inventory valuation .....)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

▶ ..... Signature of partner or member ..... Date

Hirsch & Co. in liquidation, 1 Wall Street, New York, N.Y. 10004 — Date 4/12/71

Co. in liquidation

Page 2

NOTE: Any items specially allocated to the partners should be shown in a separate schedule instead of being reflected in the numbered lines of page 1, Schedules F through J, or Schedule K. (See General Instruction F)

Schedule E—INCOME FROM RENTS

| 1. Kind and location of property | 2. Amount of rent | 3. Expenses (explain in Schedule I) | 4. Repairs (explain in Schedule J) | 5. Other expenses (explain in Schedule J) |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| 1 Totals | | | | |

2 Net income (loss) (column 2 less sum of columns 3, 4, and 5). Enter here and on page 1, line 7

Schedule H—BAD DEBTS (See Instruction 10)

| 1. Year | 2. Trade notes and accounts receivable outstanding at end of year | 3. Sales on account | Amount added to reserve: 4. Current year's provision | Amount added to reserve: 5. Recoveries | 6. Amount charged against reserve | 7. Reserve for bad debts at end of year |
|---|---|---|---|---|---|---|
| 1965. | 3051.942 | | 3073.00 | | 32113.13 | 44154.37 |
| 1966. | 51253203 | | (3434.29) | | 7171.53 | 30194.03 |
| 1967. | 31[illegible]1 | | 3592.55 | | 28289.67 | 33297.67 |
| 1968. | 72037063 | | 1335.52 | | 17259.19 | 22373.10 |
| 1969. | 52253371 | | 21332.12 | | 24639.44 | 19515.78 |
| 1970. | - | | 3233.23 | | 27319.01 | - |

Schedule I—DEPRECIATION (See Instruction 20) Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4. Note: You may (1) group depreciable assets in accordance with the categories specified below or (2) continue to list your assets in the same manner as in prior years. If you need more space, use Form 4562.

| 1. Group and guideline class or description of property | 2. Date acquired | 3. Cost or other basis | 4. Depreciation allowed or allowable in prior years | 5. Method of computing depreciation | 6. Life or rate | 7. Depreciation for this year |
|---|---|---|---|---|---|---|
| 1 Total additional first-year depreciation (do not include in items below). (Enter here and allocate to each partner in line 4 of Schedule K) → | | | | | 493.20 | |
| Buildings | | | | | | |
| Furniture and fixtures | | 545531.61 | 301946.55 | Var. | Var. | 27314.54 |
| Transportation equipment | | | | | | |
| Machinery and other equipment | | | | | | |
| Other (specify) | | | | | | |
| Leasehold improvements | | 1635738.53 | 420746.84 | Var. | Var. | 63355.82 |
| | | | | | | |
| 2 Totals | | 2181470.20 | | | | 91170.36 |
| 3 Less amount of depreciation claimed in Schedules A and B | | | | | | |
| 4 Balance—Enter here and on page 1, line 20 | | | | | | 91170.36 |

SUMMARY OF DEPRECIATION

| | Straight line | Declining balance | Sum of the years-digits | Units of production | Additional first-year (section 179) | Other (specify) | Total |
|---|---|---|---|---|---|---|---|
| 1 Under Rev. Procs. 62-21 and 65-13 | | | | | | | |
| 2 Other | | | | | | | |

Schedule J—EXPLANATION OF LINES 16, 17, AND 24 ON PAGE 1, AND OF COLUMNS 4 AND 5 OF SCHEDULE B

| Line or column | Explanation | Amount | Line or column | Explanation | Amount |
|---|---|---|---|---|---|
| 16 | Interest on bank loans etc. (certain interest paid to carry tax exempt securities) | 1305240.90 | 17 | Payroll taxes | 231478.15 |
| | | | | N.Y.S. Unincorporated Business tax | (36088.72) |
| | | | | N.Y.C. (rent receipts taxes + UBT taxes with credit unincorporated Bus. tax | (53210.47) |
| 24 | See schedule 2 attached | 2425231.22 | | Misc. tax | 500.00 |
| | | | | | 6.00 |

Hirsch & Co. in liquidation

Form 1065 — 1977 Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC. Page 3

1 Give name, address, and social security number of each partner. (Designate nonresident aliens, if any.) If return of partner is filed in another Internal Revenue service center, specify service center.

2 Percentage of time devoted to business

Partner A

Partner B

Partner C

Partner D

| Partner's share of: | Partner A | Partner B | Partner C | Partner D | Total |
|---|---|---|---|---|---|
| 3 Ordinary income (loss) (line 26, page 1) | | | | | (1300970.03) |
| 4 Additional first-year depreciation (line 1, Schedule I) | | | | | 493.20 |
| 5 Payments to partners—salaries and interest (line 14, page 1) | | | | | 407606.70 |
| | | | | | 190.00 |
| 6 Qualifying dividends (attach list) | | | | | 25581.07 |
| 7 Net short-term gain (loss) from sale or exchange of capital assets (line 3, Sch. D) | See Schedule 3 attached | | | | |
| 8 Net long-term gain (loss) from sale or exchange of capital assets (line 7, Schedule D) | | | | | 1138587.94 |
| 9 Net gain (loss) from sale or exchange of property under section 1231 (line 19, Schedule D) | | | | | |
| 10 Net gain (loss) from involuntary conversions under section 1231 (line 22, Schedule D) | | | | | |
| 11 Net earnings from self-employment (line 10, Schedule N) | | | | | (911785.24) |
| 12 Contributions (attach list) | | | | | 973.37 |
| 13 Expense account allowance | | | | | 32727.29 |
| 14 Cost or basis of investment in property: Life years / Property | | | | | |
| a 4 or more but less than 6 — New—enter basis | | | | | |
| a 4 or more but less than 6 — Used—enter cost | | | | | |
| b 6 or more but less than 8 — New—enter basis | | | | | |
| b 6 or more but less than 8 — Used—enter cost | | | | | |
| c 8 or more — New—enter basis | | | | | |
| c 8 or more — Used—enter cost | | | | | |
| 15 Tax preferences: | | | | | |
| a Excess investment interest: (1) Investment interest expense | | | | | 9631.93 |
| | | | | | 53689.58 |
| (2) Investment income | | | | | |
| (3) Investment expense | | | | | |
| b Accelerated depreciation on real property: (1) Low-income rental housing (sec. 167(k)) | | | | | |
| (2) Other real property | | | | | |
| c Accelerated depreciation on personal property subject to a net lease | | | | | |
| d Amortization of certified pollution control facilities | | | | | |
| e Amortization of railroad rolling stock | | | | | |
| f Reserves for losses on bad debts of financial institutions | | | | | |
| g Depletion | | | | | |
| h Capital gains (include specially allocated amounts): (1) Long term gain (loss) | | | | | 1138587.94 |
| (2) Short term gain (loss) | | | | | 25581.07 |

...correspond with the line numbers. However, see paragraphs (a) through (d), for each partner's

D. 317a

Illegible & Co., in Liquidation

Form 1065—1970 **Schedule L—BALANCE SHEETS** (See General Instruction J) Page 4

| ASSETS | Beginning of taxable year (A) Amount | (B) Total | End of taxable year (C) Amount | (D) Total |
|---|---|---|---|---|
| 1 Cash | | | | |
| 2 Trade notes and accounts receivable | | | | |
| (a) Less allowance for bad debts | | | | |
| 3 Inventories | | | | |
| 4 Gov't obligations: (a) U.S. and instrumentalities | | | | |
| (b) State, subdivisions thereof, etc. | | | | |
| 5 Other current assets (attach schedule) | | | | |
| 6 Mortgage and real estate loans | | | | |
| 7 Other investments (attach schedule) | | | | |
| 8 Buildings and other fixed depreciable assets | | | | |
| (a) Less accumulated depreciation | | | | |
| 9 Depletable assets | Illegible | | Illegible | |
| (a) Less accumulated depletion | 6 attached | | 7 attached | |
| 10 Land (net of any amortization) | | | | |
| 11 Intangible assets (amortizable only) | | | | |
| (a) Less accumulated amortization | | | | |
| 12 Other assets (attach schedule) | | | | |
| 13 Total assets | | | | |
| **LIABILITIES AND CAPITAL** | | | | |
| 14 Accounts payable | | | | |
| 15 Mortgages, notes, and bonds payable in less than 1 year | | | | |
| 16 Other current liabilities (attach schedule) | | | | |
| 17 Mortgages, notes, and bonds payable in 1 year or more | | | | |
| 18 Other liabilities (attach schedule) | | | | |
| 19 Partners' capital accounts | | | | |
| 20 Total liabilities and capital | | | | |

**Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS** (See Instruction for Schedule M)

| Partner | 1. Capital account at beginning of year | 2. Capital contributed during year | 3. Ordinary income (loss) from line 26, page 1 | 4. Income not included in column 3 plus non-taxable income | 5. Losses not included in column 3, plus unallowable deductions | 6. Withdrawals and distributions | 7. Capital account at end of year |
|---|---|---|---|---|---|---|---|
| A | | Details available in tax years records | | | | | |
| B | | | | | | | |
| C | | | | | | | |
| D | | | | | | | |
| Totals | | | | | | | |

**Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT** (See Instruction for Schedule N)

| | | | |
|---|---|---|---|
| 1 | Ordinary income (line 26, page 1) | | (1300970.03) |
| 2 | Add: Payments to partners—salaries and interest (line 14, page 1) | 407606.70 | |
| 3 | Net ordinary loss (line 10, page 1) | | 407606.70 |
| 4 | Total | | (893363.33) |
| 5 | Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment | | |
| 6 | Nonqualifying dividends (line 5, page 1) | 18421.91 | |
| 7 | Interest (see instruction for Schedule N) | | |
| 8 | Net rentals from real estate (see instruction for Schedule N) | | |
| 9 | Net ordinary gain (line 10, page 1) | | 18421.91 |
| 10 | Net earnings from self-employment. Enter in line 11, Schedule K | | (911785.24) |

H Did the partnership, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? ☒ Yes ☐ No. If "Yes," attach Form 4683. (For definitions, see Form 4683.)

I Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories? ☐ YES ☒ NO. If "Yes," attach explanation.

J Were you liable for filing Forms 1036 and 1099 or 1087 for 1970? ☒ Yes ☐ No. If "Yes," where filed? District Director, Lou

K Is any member of the partnership related by blood or marriage to any other member? Ness ☒ YES ☐ NO

L Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ☒ YES ☐ NO

M Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ YES ☒ NO

If "Yes," see General Instruction O and enter appropriate amount here $

N Did you claim a deduction for expenses connected with: (1) Employees' family vacations not reported on Form W-2? ☐ YES ☒ NO

(2) Entertainment facility (boat, resort, ranch, etc.)? ☐ YES ☒ NO (3) Employees' families at conventions or meetings? ☒ YES ☐ NO

SCHEDULE D (Form 1065)
Department of the Treasury
Internal Revenue Service

# Sales or Exchanges of Property

▶ See separate instructions.
▶ Attach this schedule to Form 1065.

1970

Name of partnership: Hirsch & Co. in liquidation

Employer identification no.: 13-5511509

## Part I.—CAPITAL ASSETS—Short-Term Capital Gains and Losses—Assets Held Not More Than 6 Months

| a. Kind of property (if necessary, attach statement of descriptive details not shown below) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Depreciation allowed (or allowable) since acquisition | f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale | g. Gain (loss) (d plus e less f) |
|---|---|---|---|---|---|---|
| 1 Details of transactions available in taxpayers records | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 2 Enter your share of net short-term gain (loss) from other partnerships and from fiduciaries | | | | | | |
| 3 Net short-term gain (loss) from lines 1 and 2. Enter here and in line 7, Schedule K of Form 1065 | | | | | | 25581.07 |

## Long-Term Capital Gains and Losses—Assets Held More Than 6 Months

| | | | | | | |
|---|---|---|---|---|---|---|
| 4 Various securities | | | | | | (3709.74) |
| Sale of exchange membership | | | | | | 14734.95 |
| Hirsch & Co., Inc. | | | | | | 1127502.73 |
| Furniture & Fixtures (statement attached) | | | | | | - |
| Details of transactions available in taxpayers records | | | | | | |
| 5 Enter your share of net long-term gain (loss) from other partnerships and from fiduciaries | | | | | | |
| 6 Capital gain distributions | | | | | | |
| 7 Net long-term gain (loss) from lines 4, 5, and 6. Enter here and in line 8, Schedule K of Form 1065 | | | | | | 1133537.34 |

## Part II.—ORDINARY GAINS AND LOSSES

| | | | | | | |
|---|---|---|---|---|---|---|
| 8 Gain from line 12 ▶ | | | | | | |
| Gain from line 15 ▶ | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 9 Enter your share of ordinary gain (loss) from other partnerships and from fiduciaries | | | | | | |
| 10 Net ordinary gain (loss) from lines 8 and 9. Enter here and on page 1, line 10, Form 1065 | | | | | | |

## Part III.—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY AND CERTAIN REAL PROPERTY HELD MORE THAN 6 MONTHS. (SECTION 1245) Report gain from disposition of other depreciable real property in Part IV.

| a. Kind of property and how acquired (if necessary, attach statement of descriptive details not shown below) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale |
|---|---|---|---|---|
| 11 | | | | |
| | | | | |
| | | | | |
| | | | | |

| f. Total depreciation allowed (or allowable) | g. Adjusted basis (e less f) | h. Total gain (d less g) | i. Depreciation allowed (or allowable) see instr. for date | j. Ordinary gain (lesser of h or i) | k. Other gain (h less j) |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 12 Total ordinary gain. Enter here and on line 3 | | | | | |

Hirsch & Co. In Liquidation

Schedule D (Form 1065) 1970 Page 2

Part IV.—GAIN FROM DISPOSITION OF DEPRECIABLE REAL PROPERTY HELD MORE THAN 6 MONTHS. (SECTION 1250) If held 1 year or less, see instructions for columns "i" and "j."

| a. Kind of property and how acquired (if necessary, attach statement of descriptive details not shown below) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale |
|---|---|---|---|---|
| 14 | | | | |
| | | | | |
| | | | | |
| | | | | |

| f. Total depreciation allowed (or allowable) | g. Adjusted basis (e less f) | h. Total gain (d less g) | Additional depreciation (see instructions) | | k. Enter column h or column j, whichever is lesser |
|---|---|---|---|---|---|
| | | | i. After 12/31/63 and before 1/1/70 | j. After 12/31/69 | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

| l. Column k times applicable percentage (see instr.) | m. Enter excess, if any, of h over j | n. Enter i or m, whichever is lesser | o. Column n times applicable percentage (see instr.) | p. Ordinary gain (l plus o) | q. Other gain (h less p) |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

15 Total ordinary gain. Enter here and on line 8 . . . . . [ ]

16 Total other gain. Enter here and on the appropriate line(s) in Part V below. (See instructions) . . . . [ ]

Part V(A).—SALE OR EXCHANGE OF PROPERTY USED IN TRADE OR BUSINESS AND CERTAIN INVOLUNTARY CONVERSIONS (SECTION 1231)

| a. Kind of property (if necessary, attach statement of descriptive details not shown below) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Depreciation allowed (or allowable) since acquisition | f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale | g. Gain (loss) (d plus e less f) |
|---|---|---|---|---|---|---|
| 17 Gain from line 13 → | | | | | | |
| Gain from line 16 → | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

18 Enter your share of gain (loss) of section 1231 items from other partnerships and from fiduciaries . . . [ ]

19 Net gain (loss) from lines 17 and 18. Enter here and in line 9, Schedule K of Form 1065 . . . . . [ ]

Part V(B).—INVOLUNTARY CONVERSIONS DUE TO CASUALTY AND THEFT (SECTION 1231)

| | | | | | | |
|---|---|---|---|---|---|---|
| 20 Gain from line 13 → | | | | | | |
| Gain from line 16 → | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

21 Enter your share of gain (loss) of section 1231 items from other partnerships and from fiduciaries. . . . [ ]

22 Net gain (loss) from lines 20 and 21. Enter here and in line 10, Schedule K of Form 1065 . . . . . [ ]

HIRSCH & CO. IN LIQUIDATION

STATEMENT AS TO SALE OF FURNITURE AND FIXTURES
DECEMBER 31, 1970

On July 2, 1970, Hirsch & Co., as part of its Plan of liquidation, sold substantially all of its furniture and fixtures to F. I. duPont, Glore Forgan & Co. for an amount equal to the adjusted basis of the furniture and fixtures transferred. Detailed records relating to this sale are available in the taxpayers' office.

## HIRSCH & CO. IN LIQUIDATION

### CHARITABLE CONTRIBUTIONS
### CALENDAR YEAR 1970

| | |
|---|---|
| National Hemophilia Foundation..... | $933.87 |
| The American Cancer Society..... | 25.00 |
| United Federation of Postal Clerks..... | 20.00 |
| TOTAL..... | $978.87 |

HIRSCH & CO. IN LIQUIDATION

OTHER DEDUCTIONS,
CALENDAR YEAR 1970

| | |
|---|---|
| Brokerage and clearance charges | $ 723,453.07 |
| Telephone, telegraph, cables, leased wires, etc. | 718,979.56 |
| Ticker service | 115,673.49 |
| Publications and advertising | 158,085.13 |
| Insurance | (69,231.93) |
| Group life and major medical insurance | 55,274.68 |
| Postage | 130,120.37 |
| Stationery and printing | 139,597.45 |
| Professional services | 451,284.94 |
| Profit-sharing - Branch managers | 18,979.95 |
| Travel | 53,387.22 |
| Entertainment | 69,278.45 |
| Machine rentals | 260,406.84 |
| Error account | 27,876.38 |
| Dues, licenses, assessments, etc | 26,667.24 |
| Employees' lunches and suppers | 9,697.17 |
| Electric | 36,513.14 |
| Miscellaneous | 502,238.16 |
| TOTAL | $3,428,281.31 |

SCHEDULE 2

PART I

| CIAL SECURITY NUMBER<br>ME | 056-26-8912<br>Gilbert F. Bach | Max Bosshard | 112-0<br>Simon |
|---|---|---|---|
| RTNER'S SHARE OF: | | | |
| 3. Ordinary income (loss) | $(86,053.45) | $(3,913.03) | $(1,0 |
| 4. Additional first-year depreciation | 32.21 | 1.48 | |
| 5. Payments to partners - salaries and interest | 3,500.00 | 513.99 | 13,6 |
| 6. Qualifying dividends | 12.54 | .57 | |
| 7. Net short-term capital gains (losses) | 1,681.93 | 76.75 | |
| 8. Net long-term capital gains (losses) | (9,200.52) | (2,520.35) | 10,4 |
| 11. Net earnings from self employment | (83,222.54) | (3,423.89) | 12,4 |
| 12. Contributions | 64.80 | 2.94 | |
| 13. Expense account allowance | 3,523.09 | | 1,4 |
| 15. Tax preferences: | | | |
| a. Excess investment interest: | | | |
| (1) Investment interest expense | 630.41 | 28.90 | |
| (2) Investment income | 3,181.09 | 139.66 | 2 |
| (3) Investment expense | | | |
| b. Capital gains: | | | |
| (1) Long-term gain (loss) | (9,200.52) | (2,520.35) | 10,4 |
| (2) Short-term gain (loss) | 1,681.93 | 76.75 | |

HIRSCH & CO. IN LIQUIDATION

PARTNERS' SHARES OF INCOME AND CREDITS,
CALENDAR YEAR 1970

| | GENERAL PARTNERS | | | | | |
|---|---|---|---|---|---|---|
| 112-07-1583 | 274-28-1201 | 058-30-1005 | 145-20-4672 | 078-28-1023 | 559-54-6788 | 133 |
| Simon Brett | William Bright | Donald Couig | Robert Fraiman | Randolph Guggenheimer | Charles Hale | Howa |
| $(1,050.04) | $(3,454.18) | $(12,299.64) | $(140,397.61) | $(13,852.86) | $(9,753.41) | $(10 |
| 1.23 | 1.23 | 6.36 | 52.53 | 4.93 | 3.65 | |
| 13,691.14 | 26,502.31 | 7,700.00 | 1,522.97 | 15,990.53 | 11,093.47 | 1 |
| .72 | .48 | .52 | 20.45 | 1.92 | 1.43 | |
| 23.34 | 63.96 | 165.28 | 2,742.26 | 257.09 | 190.58 | |
| 10,419.28 | (341.33) | 1,307.22 | 27,605.51 | (1,343.54) | (3,198.18) | 31 |
| 12,429.58 | 23,037.81 | (4,709.39) | (140,220.45) | 2,095.97 | 1,278.83 | (8 |
| 2.45 | 2.45 | | 105.62 | 9.89 | 7.34 | |
| 1,454.87 | 6,654.82 | | 1,494.61 | 1,696.91 | 73.65 | |
| 33.87 | 24.07 | 103.54 | 1,028.05 | 96.47 | 71.44 | |
| 266.83 | 106.01 | 415.13 | 5,441.76 | 425.84 | 345.89 | |
| 10,419.28 | (341.33) | 1,307.22 | 27,605.51 | (1,343.54) | (3,198.18) | 3 |
| 23.34 | 63.96 | 165.28 | 2,742.26 | 257.09 | 190.58 | |

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| L PARTNERS..... | | | | | |
|---|---|---|---|---|---|
| 20-4672 | 078-28-1023 | 559-54-6788 | 133-26-0890 | 133-26-1078 | 058-09-1487 |
| obert | Randolph | Charles | | Clifford | Seymour |
| aiman | Guggenheimer | Hale | Howard Hirsch | .Hollander | Katzenstein |
| ,397.61) | $(13,852.86) | $(9,753.41) | $(102,014.05) | $(48,198.78) | $(143,995.91) |
| 52.53 | 4.93 | 3.65 | 38.81 | 18.00 | 53.96 |
| ,522.97 | 15,990.53 | 11,093.47 | 18,208.30 | 12,465.04 | |
| 20.45 | 1.92 | 1.43 | 15.16 | 7.01 | 21.00 |
| ,742.26 | 257.09 | 190.58 | 2,016.02 | 940.10 | 2,816.43 |
| ,605.51 | (1,343.54) | (3,198.18) | 313,045.83 | 112,011.37 | 83,418.84 |
| ,220.45) | 2,095.97 | 1,278.83 | (86,710.69) | (36,798.14) | (145,762.66) |
| 105.62 | 9.89 | 7.34 | 78.02 | 36.22 | 108.46 |
| ,494.61 | 1,696.91 | 73.65 | 712.82 | 3,100.57 | 1,609.70 |
| ,028.05 | 96.47 | 71.44 | 762.05 | 352.37 | 1,055.98 |
| ,441.76 | 425.84 | 345.89 | 5,921.28 | 2,468.47 | 5,973.65 |
| ,605.51 | (1,343.54) | (3,198.18) | 313,045.83 | 112,011.37 | 83,418.84 |
| ,742.26 | 257.09 | 190.58 | 2,016.02 | 940.10 | 2,816.43 |

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(Continued) - 1

HIRSCH & CO. IN LIQUIDATION
PARTNERS' SHARE OF INCOME AND CREDITS, ETC.

| SOCIAL SECURITY NUMBER<br>NAME | 133-26-1049<br>Paul L.<br>Kohns | 099-12-8436<br>Jane Larkin | 091<br>Mi |
|---|---|---|---|
| PARTNER'S SHARE OF: | | | |
| 3. Ordinary income (loss) | $(252,305.26) | $(40,060.49) | $(3 |
| 4. Additional first-year depreciation | 94.64 | 14.80 | |
| 5. Payments to partners - salaries and interest | 18,392.78 | 12,499.98 | |
| 6. Qualifying dividends | 36.91 | 5.66 | |
| 7. Net short-term capital gains (losses) | 4,927.56 | 789.85 | |
| 8. Net long-term capital gains (losses) | 259,879.06 | 1,410.74 | 1 |
| 11. Net earnings from self employment | (237,649.98) | (27,870.90) | (2 |
| 12. Contributions | 190.26 | 29.76 | |
| 13. Expense account allowance | 121.95 | 576.56 | |
| 15. Tax preferences: | | | |
| a. Excess investment interest: | | | |
| (1) Investment interest expense | 1,855.61 | 285.43 | |
| (2) Investment income | 11,104.23 | 1,481.47 | |
| (3) Investment expense | | | |
| b. Capital gains: | | | |
| (1) Long-term gain (loss) | 259,879.06 | 1,410.74 | 1 |
| (2) Short-term gain (loss) | 4,927.56 | 789.85 | |

| GENERAL PARTNERS | | | | | | |
|---|---|---|---|---|---|---|
| 091-01-6665 Edgar Mitchell | 082-07-0030 Louis Mollard | 062-26-9143 Edward Morgan III | 113-05-3109 Marshall S. Mundheim | 133-26-117? Daniel Pierce | 085-28-8484 Guido Sclafani | 05 |
| $(33,723.86) | $(9,497.17) | $(36,227.26) | $(189,981.96) | $(2,451.83) | $(16,097.60) | $( |
| 12.63 | 4.93 | 13.51 | 71.27 | 1.23 | 6.02 | |
| 9,499.98 | 13,262.12 | 10,610.45 | 15,123.97 | 33,289.87 | 9,004.51 | |
| 4.90 | 2.75 | 5.27 | 27.81 | .48 | 2.34 | |
| 658.71 | 117.28 | 706.03 | 3,707.41 | 63.96 | 314.64 | |
| 12,218.00 | 86,119.58 | (10,494.11) | 192,025.75 | 63,296.13 | (2,955.16) | |
| (24,602.01) | 3,060.78 | (5,863.97) | (177,669.34) | 30,170.69 | (7,214.28) | ( |
| 25.35 | 9.89 | 27.21 | 143.31 | 2.45 | 12.14 | |
| | | | 7,977.29 | 488.97 | | |
| 247.07 | 130.18 | 264.56 | 1,398.08 | 24.07 | 117.82 | |
| 1,362.16 | 949.33 | 1,301.54 | 8,355.52 | 763.04 | 590.96 | |
| 12,218.00 | 86,119.58 | (10,494.11) | 192,025.75 | 63,296.13 | (2,955.16) | |
| 658.71 | 117.28 | 706.03 | 3,707.41 | 63.96 | 314.64 | |

| ERAL PARTNERS..... | | | | | |
|---|---|---|---|---|---|
| 113-05-3109 | 133-26-117 | 085-28-8484 | 054-12-7467 | 052-22-9478 | 086-14-2151 |
| Marshall S. Mundheim | Daniel Pierce | Guido Sclafani | Myron Simons | Marshall Spector | Thomas Weil |
| (189,981.96) | $(2,451.83) | $(16,097.60) | $(96,253.51) | $(45,086.97) | $(23,917.79) |
| 71.27 | 1.23 | 6.02 | 36.00 | 14.80 | 8.98 |
| 15,123.97 | 33,289.87 | 9,004.51 | 5,792.87 | 21,922.01 | 19,999.98 |
| 27.81 | .48 | 2.34 | 14.02 | 4.56 | 3.50 |
| 3,707.41 | 63.96 | 314.64 | 1,880.19 | 972.28 | 469.42 |
| 192,025.75 | 63,296.13 | (2,955.16) | 21,364.18 | (3,642.20) | (11,838.16) |
| (177,669.34) | 30,170.69 | (7,214.28) | (91,414.30) | (23,290.44) | (4,072.98) |
| 143.31 | 2.45 | 12.14 | 72.44 | 29.76 | 18.11 |
| 7,977.29 | 488.97 | | 1,811.42 | | 1,430.06 |
| 1,398.08 | 24.07 | 117.82 | 704.73 | 241.44 | 175.79 |
| 8,355.52 | 763.04 | 590.96 | 3,761.80 | 1,477.89 | 856.03 |
| 192,025.75 | 63,296.13 | (2,955.16) | 21,364.18 | (3,642.20) | (11,838.16) |
| 3,707.41 | 63.96 | 314.64 | 1,880.19 | 972.28 | 469.42 |

(Continued) - 2

RSCH & CO. IN LIQUIDATION
RTNERS' SHARE OF INCOME AND CREDITS, ETC.

| CIAL SECURITY NUMBER | 055-09-1694 | 136-07-4348<br>136-07-4347 | 085-0 |
|---|---|---|---|
| ME | Maurice Meyer, Jr. | Trustees U/W Albert J. Seligsberg | Ar Sha |
| RTNER'S SHARE OF: | | | |
| 3. Ordinary income (loss) | $ 9,642.13 | | |
| 4. Additional first-year depreciation | | | |
| 5. Payments to partners - salaries and interest | 28,945.48 | $13,597.21 | $13,5 |
| 6. Qualifying dividends | | | |
| 7. Net short-term capital gains (losses) | | | |
| 8. Net long-term capital gains (losses) | | | |
| 11. Net earnings from self employment | 38,587.61 | 13,597.21 | 13,5 |
| 12. Contributions | | | |
| 13. Expense account allowance | | | |
| 15. Tax preferences: | | | |
| a. Excess investment interest: | | | |
| (1) Investment interest expense | | | |
| (2) Investment income | | | |
| (3) Investment expense | | | |
| b. Capital gains: | | | |
| (1) Long-term gain (loss) | | | |
| (2) Short-term gain (loss) | | | |

.....LIMITED AND RETIRED PARTNERS.....

8 085-03-2779 098-30-2281 092-09-9882 056-10-2536 052-10-4655 115-10-5220
7
W/W

| | Arthur Shaeffer | Herbert Fraiman | Ely Ross | Estate of J. Dalton Couig | Harry A. Schwartz | Milton C. Altenberger |
|---|---|---|---|---|---|---|
| | $13,597.21 | $11,596.52 | $10,877.96 | $9,246.11 | $8,158.32 | $5,438.88 |
| | 13,597.21 | 11,596.52 | 10,877.96 | 9,246.11 | 8,158.32 | 5,438.88 |

| IRED PARTNERS..... | | | | | |
|---|---|---|---|---|---|
| -2536 | 052-10-4615 | 115-10-5220 | 056-38-7836 | 121-07-5169 | 064-01-3362 |
| e of lton ig | Harry A. Schwartz | Milton C. Altenberger | Florence Zaidenberg | Estate of Harriet Grace Shelare | Maurice Glinert |
| 46.11 | $8,158.32 | $5,438.88 | $5,438.88 | $2,719.44 | $2,719.45 |
| 46.11 | 8,158.32 | 5,438.88 | 5,438.88 | 2,719.44 | 2,719.45 |

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(Cont'd on next)

HIRSCH & CO. IN LIQUIDATION
PARTNERS' SHARES OF INCOME AND CREDITS, ETC.

| | | |
|---|---|---|
| SOCIAL SECURITY NUMBER | 136-18-1451 | C |
| NAME | Ann M. Couig Trust | Z |

PARTNER'S SHARE OF:

| | |
|---|---|
| 3. Ordinary income (loss) | |
| 4. Additional first-year depreciation | |
| 5. Payments to partners - salaries and interest | $2,175.55 |
| 6. Qualifying dividends | |
| 7. Net short-term capital gains (losses) | |
| 8. Net long-term capital gains (losses) | |
| 11. Net earnings from self employment | 2,175.55 |
| 12. Contributions | |
| 13. Expense account allowance | |
| 15. Tax preferences: | |
| a. Excess investment interest: | |
| (1) Investment interest expense | |
| (2) Investment income | |
| (3) Investment expense | |
| b. Capital gains: | |
| (1) Long-term gain (loss) | |
| (2) Short-term gain (loss) | |

| .....LIMITED AND RETIRED PARTNERS..... | | | | | | |
|---|---|---|---|---|---|---|
| 1451<br>M.<br>rust | 051-18-7389<br>M. C.<br>Zaidenberg | 083-09-5023<br>Estate of<br>Lacy Kux | 092-12-1697<br>Andre Lord | 082-09-9145<br>Aubrey E.<br>Sampson | 092-12-7255<br>Norman<br>Reitman | 081-03-915<br>John S.<br>Hardin |
| | | | | | | $(25.50) |
| 55 | $1,359.71 | $1,359.71 | $1,631.67 | $2,719.45 | $5,438.88 | |
| 55 | 1,359.71 | 1,359.71 | 1,631.67 | 2,719.45 | 5,438.88 | (25.50) |

| ITED AND RETIRED PARTNERS..... | | | | |
|---|---|---|---|---|
| -12-1697 | 082-09-9145 | 092-12-7255 | 081-03-9152 | |
| Ire Lord | Aubrey E. Sampson | Norman Reitman | John S. Hardin | TOTAL |
| | | | $(25.50) | $(1,300,970.03) |
| | | | | 493.20 |
| $1,631.67 | $2,719.45 | $5,438.88 | | 407,606.70 |
| | | | | 190.00 |
| | | | | 25,581.07 |
| | | | | 1,138,587.94 |
| 1,631.67 | 2,719.45 | 5,438.88 | (25.50) | (911,785.24) |
| | | | | 973.87 |
| | | | | 32,[illegible]7.29 |
| | | | | 9,631.93 |
| | | | | 56,689.58 |
| | | | | 1,138,587.94 |
| | | | | 25,581.07 |

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HIRSCH & CO. IN LIQUIDATION

QUALIFYING DIVIDENDS,
CALENDAR YEAR 1970

| | |
|---|---|
| AMK Corporation..... | $150.00 |
| McDonnell Douglas Corp. - com..... | 40.00 |
| TOTAL..... | $190.00 |

HIRSCH & [illegible] IN LIQUIDATION

ELECTION OF ADDITIONAL FIRST-YEAR
DEPRECIATION ALLOWANCE
SEC. 179 I.R.C. OF 1954, AS AMENDED,
CALENDAR YEAR 1970

(1) Date purchased - year 1970 - various dates.

(2) Description of property - furniture and fixtures - all items acquired during 1970.

(3) Total cost of items - $4,932.14 - details by item available in taxpayer's records.

(4) Portion of cost selected - 100%.

(5) Useful life - 10 years.

(6) Additional first-year depreciation - $493.20.

STATEMENT OF FINANC
(Prepared from th

## A S S E T S

| | | |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash in banks and on hand | | $ 3,725,7 |
| Clearing funds and other deposits | | 636,5 |
| Deposits on account of securities borrowed | | 2,916,0 |
| Receivable from other brokers or dealers: | | |
| Securities sold but not delivered | | 4,948,3 |
| Odd lot clearances | | 1 |
| Equities in commodity accounts | | 92,4 |
| Receivable from customers: | | |
| Secured margin and cash accounts | $52,031,247.46 | |
| Unsecured debits | 113,877.00 | |
| Equities in commodity accounts | 22,249.73 | 52,167,3 |
| Securities owned by the Firm - at market | | |
| ve | | |
| U[illegible] States Government obligations | 301,789.42 | |
| Mu[illegible]ipal obligations | 3,115,778.94 | |
| Other | 641,052.81 | 4,058,6 |
| Securities owned by partners - at market value (exclusive of subordinated securities) | | 1,908,1 |
| Subordinated securities - at market value | | 2,148,7 |
| Miscellaneous current assets: | | |
| Commissions receivable | | 21,6 |
| Dividends and interest receivable | | 1,005,9 |
| Other current assets | | 73,9 |
| Total current assets | | 73,703,6 |
| OTHER ASSETS: | | |
| Memberships in exchanges - at market value | | 1,776,2 |
| Furniture, fixtures, equipment, and leasehold improvements (depreciated amount) | | 1,489,5 |
| Prepaid expenses and deferred charges | | 185,8 |
| Investments in wholly-owned corporate affiliates: | | |
| At equity in net assets | | 1,388,7 |
| At cost | | 11,6 |
| Miscellaneous | | 362,3 |
| TOTAL | | $78,917,9 |

HIRSCH & CO.

FINANCIAL CONDITION, DECEMBER 31, 1969
(From the general books without audit)

## L I A B I L I T I E S

| | | | |
|---|---|---|---|
| | CURRENT LIABILITIES: | | |
| ,725,758.83 | Money borrowed on securities | | |
| 636,587.50 | Deposits on account of securities loaned | | |
| ,916,000.00 | Payable to other brokers or dealers: | | |
| | Securities bought but not received | | |
| ,948,311.41 | Odd lot clearances | | |
| 130.93 | Payable to customers: | | |
| 92,496.46 | Free credit balances | | |
| | Secured margin and cash accounts | | |
| | Equities in commodity accounts | | |
| | Securities sold but not yet purchased - at market value | | |
| ,167,374.19 | Dividends and interest payable | | |
| | Miscellaneous current liabilities: | | |
| | Commissions and brokerage payable | | |
| | Social security and income tax payable | | |
| | Miscellaneous payables | | |
| ,058,621.17 | Total current liabilities | | |
| ,908,107.06 | CAPITAL FUNDS AND SUBORDINATED LIABILITIES: | | |
| ,148,750.00 | Borrowings under subordination agreements (cash, $899,204.28 and securities, $2,148,750.00) | | $3,047,954.2 |
| 21,653.64 | | | |
| ,005,959.59 | Excess of equity in net assets over cost of investment in a wholly-owned corporate affiliate | | 1,231,974.2 |
| 73,942.23 | | | |
| ,703,693.01 | Net worth | | 6,951,171.3 |
| ,776,249.82 | | | |
| ,489,545.43 | | | |
| 185,821.55 | | | |
| ,388,714.50 | | | |
| 11,615.85 | | | |
| 362,326.58 | | | |
| 8,917,966.74 | TOTAL | | |

SCHEDULE 6

## L I A B I L I T I E S

| | | |
|---|---|---|
| ties..... | | $30,920,239.69 |
| ecurities loaned..... | | 8,405,290.00 |
| or dealers: | | |
| not received..... | | 8,253,021.55 |
| ..... | | 63,439.95 |
| ..... | | 12,029,274.59 |
| n accounts..... | | 4,121,872.11 |
| accounts..... | | 874,128.78 |
| yet purchased - at market value..... | | 162,296.82 |
| ayable..... | | 877,368.50 |
| abilities: | | |
| age payable..... | | 51,770.55 |
| come tax payable..... | | 79,008.09 |
| ..... | | 1,849,155.85 |
| al current liabilities..... | | 67,686,866.48 |
| ATED LIABILITIES: | | |
| nation agreements | | |
| securities, | | |
| ..... | $3,047,954.28 | |
| assets over cost of | | |
| -owned corporate | | |
| ..... | 1,231,974.26 | |
| ..... | 6,951,171.72 | 11,231,100.26 |
| TOTAL..... | | $78,917,966.74 |

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## HIRSCH & CO. IN LIQUIDATION

STATEMENT OF FINANCIAL CONDITION, DECEMBER 31, 1970
(Prepared from the general books without audit)

### A S S E T S

| | |
|---|---|
| URRENT ASSETS: | |
| Cash in banks and on hand | $139,784.13 |
| Securities - partners reserves - at market value | 292,393.50 |
| Miscellaneous receivables | 76,734.68 |
| Total current assets | 508,912.31 |
| THER ASSETS: | |
| Deferred charges | 9,000.00 |
| TOTAL | $517,912.31 |

### L I A B I L I T I E S

| | |
|---|---|
| URRENT LIABILITIES: | |
| Miscellaneous payables | $305,417.27 |
| Total current liabilities | 305,417.27 |
| APITAL FUNDS: | |
| Net worth | 212,495.04 |
| TOTAL | $517,912.31 |

Form 2952
(Rev. Jan. 1969)
Department of the Treasury
Internal Revenue Service

# Information Return with Respect to Controlled Foreign Corporations

(Under Section 6038 of the Internal Revenue Code)

For Calendar Year 19 70
or other taxable year beginning ..... 19..... and ending ..... 19.....

Name of United States person: Hirsch & Co. (in liquidation)
Attn: Mr. Paul L. Kohns
Address c/o F. I. duPont, Glore Forgan & Co.
1 Wall Street, New York, New York 10004

Identifying number (Social security number or employer identification number if other than individual): 13-5511509

**The following information must be submitted on a separate Form 2952 for each Controlled Foreign Corporation (See instructions). Amounts must be stated in U.S. dollars and all information must be in the English language.**

1. (a) Name and address of foreign corporation
Hirsch & Co. S.A.
Two Place Lungmalle, Geneva, Switzerland

(b) Employer identification No., if any: None

2. Name and address of statutory or resident agent in country of incorporation
Carolus, S.A., 8-40 Avenida Central Panama, R.P.

3. (a) Name and address of branch or agent in the United States
None

(b) Identifying number

4. Name and address of custodian of books and records and location of books and records if different from such address
Paul L. Kohns, Hirsch & Co. in liquidation, c/o F. I. duPont, Glore Forgan & Co., 1 Wall Street, New York, New York 10004

5. Nature of business and principal cities and countries where conducted Representative of Hirsch & Co. acting in the promotion and solicitation of foreign customers

6. Date of incorporation: 1/5/61

7. Information furnished for period— beginning Dec. 1 19 69 ending Nov. 30 19 70

8. Country under whose laws incorporated: Republic of Panama

| 9. (a) Description of each class of stock | (b) Number of shares of each class outstanding— at the beginning of the annual accounting period | at the end of the annual accounting period |
|---|---|---|
| Common Voting $1.00 Par | 10,000 | 10,000 |
| Common Non-voting $1.00 Par | 90,000 | 90,000 |
| $.30 Cumulative Pfd. $1.00 Par $10.00 | 217,285 | - |

10. The following information must be submitted for each United States person who is a shareholder owning at any time during the annual accounting period 5 percent or more in value of any class of outstanding stock (If more space is needed attach a supplemental schedule):

| NAME OF SHAREHOLDER | IDENTIFYING NUMBER | ADDRESS | CLASS OF STOCK | NUMBER OF SHARES HELD |
|---|---|---|---|---|
| | See schedule attached. | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

11. (a) Current earnings and profits (after reduction for foreign income, war profits, and excess profits taxes paid or accrued—see section 964(a) and the regulations thereunder)
$ 293,595.65

(b) Current foreign income, war profits, and excess profits taxes paid or accrued (exclude amounts withheld on distributions)
$ 7,557.68

(c) Distributions out of current earnings and profits
$ 35,878.50

(d) Other distributions (give source)
$307,747.49

12. *Enter a summary showing the total amount of each of the following types of transactions which took place during the annual accounting period, between the controlled foreign corporation (column (1)) and the persons enumerated in columns (2), (3), (4), and (5).

| (1) TRANSACTIONS OF CONTROLLED FOREIGN CORPORATION | (2) UNITED STATES PERSON FILING RETURN | (3) ANY CORPORATION CONTROLLED BY U.S. PERSON FILING RETURN | (4) 10 PERCENT OR MORE U.S. SHAREHOLDER OF CONTROLLED FOREIGN CORPORATION (OTHER THAN CONTROLLING SHAREHOLDER) | (5) 10 PERCENT OR MORE U.S. SHAREHOLDER OF DOMESTIC CORPORATION FILING THIS RETURN |
|---|---|---|---|---|
| (a) Sales of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Sales of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (c) Compensation received for the rendition of technical, managerial, engineering, construction, scientific, or like services | 449,512.68 | | | |
| (d) Commissions received | | | | |
| (e) Rents and royalties received | | | | |
| (f) Amounts borrowed (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (g) Dividends received | | | | |
| (h) Interest received | | | | |
| (i) Premiums received for insurance or reinsurance | | | | |
| Total (lines (a) through (i)) | 449,512.68 | | | |
| (a) Purchases of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Purchases of tangible property (other than stock in trade, except where neither party to the transaction is a U.S. person) | | | | |
| (c) Purchases of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (d) Compensation paid for the rendition of technical, managerial, engineering, construction, scientific, or like services | | | | |
| (e) Commissions paid | | | | |
| (f) Rents and royalties paid | | | | |
| (g) Amounts loaned (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (h) Dividends paid | | | | |
| (i) Interest paid | | | | |
| Total (lines (a) through (i)) | | | | |

If an entry would be made in the above schedule except for the fact that no compensation was paid, indicate the categories in which this has occurred.

*If the United States person is a bank, as described in section 581, or is controlled within the meaning of section 368(c) by a bank, the term "transactions" shall not, as to a corporation with respect to which a return is filed, include banking transactions entered into on behalf of customers; in any event, however, deposits in accounts between a foreign corporation controlled by a United States person, and a bank, and withdrawals from such accounts shall be summarized by reporting end-of-month balances.

13. The following financial statements for the annual accounting period of the foreign corporation shall be filed with and made a part of this return. (a) Profit and loss statement for the period; (b) Balance sheet as of the end of the period; (c) Analysis of changes in surplus accounts (include both opening and closing balance).

14. Exchange rate used ..... (If more than one rate is used, attach statement.)

15. If this return is filed on behalf of another person or is a joint return, enter the following:

NAME | ADDRESS

## Instructions

A. REQUIREMENT OF RETURN.—Every United States person shall [illegible] return [illegible] 952 with respect [illegible] 31, 1962, of each foreign corporation which that person controls for an uninterrupted period of 30 days or more during such annual accounting period.

B. UNITED STATES PERSON.—The term "United States person" means [illegible] United States (C) a corporation, partnership [illegible] and (d) any estate or trust (other than a foreign estate or foreign trust [illegible] sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, is not includible in gross income under Subtitle A of the Internal Revenue Code). See Section 1.6038-2(f) of the regulations for exception of certain residents of United States possessions.

C. CONTROL.—A person shall be deemed to be in control of a foreign corporation if he owns stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or more than 50 percent of the total value of shares of all classes of stock of the foreign corporation. A person in control of a corporation which in turn owns more than 50 percent of the combined voting power, or of the value, of all classes of stock of another corporation is also treated as being in control of such other corporation.

*Example.*—Corporation A owns 51 percent of the voting stock in Corporation B. Corporation B owns 51 percent of the voting stock in Corporation C. Corporation C in turn owns 51 percent of the voting stock in Corporation D. Corporation D is controlled by Corporation A.

D. ATTRIBUTION RULES.—For the purpose of determining control of domestic or foreign corporations the constructive ownership rules of section 318(a) shall apply, except that:

(1) Stock owned by or for a partner or a beneficiary of an estate or trust shall not be considered owned by the partnership, estate, or trust when the effect is to consider a United States person as owning stock owned by a person who is not a United States person;

(2) A corporation will not be considered as owning stock owned by or for a 50 percent or more shareholder when the effect is to consider a United States person as owning stock owned by a person who is not a United States person; and

(3) If 10 percent or more in value of the stock in a corporation is owned, directly or indirectly, by or for any person, subparagraph (C) of section 318(a)(2) shall apply.

E. PERIOD COVERED BY RETURN.—The information required by this return shall be furnished for the annual accounting period of the foreign corporation ending with or within the United States person's tax year.

F. TIME AND PLACE FOR FILING RETURN.—Returns on Form 2952 shall be filed with the United States person's income tax return. An application for an extension of time for filing a return of income is also considered as an application for an extension of time for filing returns on Form 2952.

G. TWO OR MORE PERSONS REQUIRED TO SUBMIT THE SAME INFORMATION.—If two or more persons are required to furnish information with respect to the same foreign corporation for the same period, such persons may, in lieu of making separate returns, jointly make one return. Such joint return shall be filed with the income tax return of any one of the persons making such joint return.

H. PERSONS EXCEPTED FROM FURNISHING INFORMATION.—[illegible] information [illegible] section with respect to a foreign corporation [illegible] not furnish that information provided all of the following conditions are met:

(1) Such person does not directly own an interest in the foreign corporation;

(2) Such person is required to furnish the information solely by reason of attribution of stock ownership from a United States person;

(3) The person from whom the stock ownership is attributed furnishes all of the information required of the person to whom the stock ownership is attributed.

I. STATEMENT REQUIRED.—Any person who is required to file this return but does not do so because the information will be furnished by another person, must file a statement with his return indicating that such liability will be satisfied and identify the return with which the information will be filed and the place of filing. The statement below may be used for this purpose.

J. PENALTIES.—The information required by section 6038 of the Code must be furnished even though there are no foreign taxes which would be reduced. For criminal penalties for failure to file a return and filing a false or fraudulent return, see sections 7203, 7206, and 7207.

K. EFFECT ON TAX CREDIT.—Failure to furnish any information required by section 6038 will result in a reduction in the foreign taxes which are taken into account when figuring the credit under sections 901, 902, and 960 as provided in detail in paragraph (l) of Section 1.6038-2, Income Tax Regulations.

## STATEMENT IN REGARD TO FILING REQUIREMENT OF FORM 2952

I have not filed Form 2952 because (check applicable box):

☐ I am excepted from filing and information will be furnished by the person from whom the stock ownership is attributable.

☐ A joint return has or will be filed.

| Person filing this statement | | The information required to be furnished on Form 2952 will be filed by: | |
|---|---|---|---|
| Name | | Name | |
| Address | | Address | |
| Identifying number | Year | Internal Revenue Service office | Identifying number |

U.S. GOVERNMENT PRINTING OFFICE: [illegible] O 626-264

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HIRSCH & CO. S. A.

ANSWER TO QUESTION 10, PAGE 1,
NOVEMBER 30, 1970

| NAME OF SHAREHOLDER | IDENTIFYING NUMBER | NUMBER OF SHARES HELD VOTING COMMON STOCK | NON-VOTING COMMON STOCK | $.30 CUMULATIVE PREFERRED STOCK |
|---|---|---|---|---|
| Howard C. Hirsch | 133-26-0890 | 810 | 7,060 | 30,544 |
| Paul L. Kohns | 133-26-1049 | 910 | 18,280 | 37,041 |
| Maurice Meyer, Jr. | 055-09-1694 | | | 36,843 |
| Marshall S. Mundheim | 133-05-3109 | 910 | 13,540 | 27,860 |
| Seymour S. Katzenstein | 058-09-1487 | 910 | 10,030 | 16,721 |
| Clifford A. Hollander | 133-26-1078 | 810 | 2,840 | 11,378 |
| Robert J. Fraiman | 145-20-4672 | 910 | 9,740 | 12,108 |
| Louis A. Mollard | 082-07-0030 | 320 | 680 | 8,970 |
| Myron Simons | 054-12-7467 | 860 | 6,440 | 9,183 |
| Gilbert R. Bach | 056-26-8912 | 640 | 5,890 | 5,726 |
| Simon Brett | 112-07-1583 | 100 | 150 | 2,976 |
| Edgar Mitchell | 091-01-6665 | 600 | 1,960 | 3,565 |
| Edward A. Morgan III | 062-26-9143 | 490 | 2,250 | 1,875 |
| Jane R. Larkin | 099-12-8436 | 490 | 2,510 | 2,728 |
| Guido Sclafani | 085-28-8484 | 100 | 1,120 | 1,030 |
| Donald B. Couig | 058-30-1005 | 120 | 1,170 | 1,648 |
| Daniel T. Pierce | 133-26-1172 | 100 | 150 | 5,409 |
| Thomas L. Weil | 086-14-2151 | 100 | 1,720 | 1,000 |
| Charles M. Hale | 559-54-6788 | 100 | 640 | 555 |
| Max Bosshard | | 100 | 200 | 125 |
| William Bright | 274-28-1201 | 30 | 220 | |
| Marshall Spector | 052-22-9478 | 490 | 2,510 | |
| Randolph Guggenheimer | 078-28-1023 | 100 | 900 | |
| TOTAL | | 10,000 | 90,000 | 217,285 |

## HIRSCH & CO. S. A.

BALANCE SHEET, NOVEMBER 30, 1970
(Prepared from the general books without audit)

### A S S E T S:

| | |
|---|---|
| CURRENT ASSETS - Cash..... | $357,717.15 |

### L I A B I L I T I E S A N D S T O C K H O L D E R S' E Q U I T Y

| | |
|---|---|
| STOCKHOLDERS' EQUITY (Note 1): | |
| Common voting stock, $1.00 par value, authorized and outstanding, 10,000 shares..... | $ 10,000.00 |
| Common non-voting stock, $1.00 par value, authorized, 100,000 shares; outstanding, 90,000 shares | 90,000.00 |
| EARNED SURPLUS..... | 257,717.15 |
| TOTAL..... | $357,717.15 |

Note 1 - During the twelve month period ended November 30, 1970, all of the Corporation's $.30 cumulative preferred stock was retired.

# HIRSCH & CO. S. A.

## STATEMENT OF INCOME AND EARNED SURPLUS
## FOR THE YEAR ENDED NOVEMBER 30, 1970
(Prepared from the general books without audit)

| | | |
|---|---|---|
| INCOME: | | |
| Service fee income | | $449,512.68 |
| Interest earned | | 79,521.65 |
| Firm investment income (loss) | | (42,500.00) |
| Conversion difference income (loss) | | (273.36) |
| Total income | | 486,260.97 |
| OPERATING EXPENSES: | | |
| Salaries, bonuses, profit-sharing, etc | $125,788.12 | |
| Payroll taxes | 11,733.73 | |
| Telephone and telegraph | 8,914.47 | |
| Rent and electricity | 7,851.68 | |
| Advertising | 19.80 | |
| Travel and entertainment | 12,031.14 | |
| Postage | 799.86 | |
| Professional services | 350.00 | |
| Subscriptions | 219.15 | |
| Office supplies, stationery and printing | 1,617.42 | |
| Foreign taxes | 7,557.68 | |
| Other | 15,782.27 | |
| Total operating expenses | | 192,665.32 |
| NET INCOME FOR THE YEAR | | 293,595.65 |
| EARNED SURPLUS, DECEMBER 1, 1969 | | 307,747.49 |
| | | 601,343.14 |
| PARTIAL LIQUIDATING DIVIDENDS: | | |
| Common voting stock, $1.00 par value, 10,000 shares at $3.00 | 30,000.00 | |
| Common non-voting stock, $1.00 par value, 90,000 shares at $3.00 | 270,000.00 | |
| CASH DIVIDENDS ON $.30 CUMULATIVE PREFERRED STOCK. | 43,625.99 | 343,625.99 |
| EARNED SURPLUS, NOVEMBER 30, 1970 | | $257,717.15 |

Form 2952
(Rev. Jan. 1969)
Department of the Treasury
Internal Revenue Service

# Information Return with Respect to Controlled Foreign Corporations

(Under Section 6038 of the Internal Revenue Code)

For Calendar Year 19.....
or other taxable year beginning Jan. 1 – 19 70, and ending July 2 , 19 70

Name of United States person: [illegible] Att: Mr. Paul L. Adler
Address: c/o [illegible], Grace Europe & Co., 7 Hanover Street, New York 10004
Identifying number (Social security number or employer identification number if other than individual): 13-5511509

**The following information must be submitted on a separate Form 2952 for each Controlled Foreign Corporation (See instructions). Amounts must be stated in U.S. dollars and all information must be in the English language.**

1. (a) Name and address of foreign corporation: [illegible] 6 Rue de Faubourg, Paris 8e, France
   (b) Employer identification No., if any: None
2. Name and address of statutory or resident agent in country of incorporation: Andre Lord, Hirsch & Co., S.A.R.L. 6 Rue de Faubourg, Paris 8e, France
3. (a) Name and address of branch or agent in the United States: None
   (b) Identifying number:
4. Name and address of custodian of books and records and location of books and records if different from such address: Same as #2
5. Nature of business and principal cities and countries where conducted: Representative of Hirsch & Co. [illegible]
6. Date of incorporation: 12-30-62
7. Information furnished for period—beginning Jan. 1, 1970 ending July 2, 1970
8. Country under whose laws incorporated: France

| 9. (a) Description of each class of stock | (b) Number of shares of each class outstanding— at the beginning of the annual accounting period | at the end of the annual accounting period |
|---|---|---|
| Common | 500 | -0- |
| | | |

10. The following information must be submitted for each United States person who is a shareholder owning at any time during the annual accounting period 5 percent or more in value of any class of outstanding stock (If more space is needed attach a supplemental schedule):

| NAME OF SHAREHOLDER | IDENTIFYING NUMBER | ADDRESS | CLASS OF STOCK | NUMBER OF SHARES HELD |
|---|---|---|---|---|
| Hirsch & Co. In Liquidation | 13-5511509 | as above | common | 500 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

OMITTED NUMBER

| 11. (a) Current earnings and profits (after reduction for foreign income, war profits, and excess profits taxes paid or accrued—see section 964(a) and the regulations thereunder) | (b) Current foreign income, war profits, and excess profits taxes paid or accrued (exclude amounts withheld on distributions) |
|---|---|
| $ 5,122.73 | $ 3,363.54 |
| (c) Distributions out of current earnings and profits | (d) Other distributions (give source) |
| $ None | $ None |

12. *Enter a summary showing the total amount of each of the following types of transactions which took place during the annual accounting period, between the controlled foreign corporation (column (1)) and the persons enumerated in columns (2), (3), (4), and (5).

| (1) TRANSACTIONS OF CONTROLLED FOREIGN CORPORATION | (2) UNITED STATES PERSON FILING RETURN | (3) ANY CORPORATION CONTROLLED BY U.S. PERSON FILING RETURN | (4) 10 PERCENT OR MORE U.S. SHAREHOLDER OF CONTROLLED FOREIGN CORPORATION (OTHER THAN CONTROLLING SHAREHOLDER) | (5) 10 PERCENT OR MORE U.S. SHAREHOLDER OF DOMESTIC CORPORATION FILING THIS RETURN |
|---|---|---|---|---|
| (a) Sales of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Sales of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (c) Compensation received for the rendition of technical, managerial, engineering, construction, scientific, or like services | 35,691.79 | | | |
| (d) Commissions received | | | | |
| (e) Rents and royalties received | | | | |
| (f) Amounts borrowed (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (g) Dividends received | | | | |
| (h) Interest received | | | | |
| (i) Premiums received for insurance or reinsurance | | | | |
| Total (lines (a) through (i)) | | | | |
| (a) Purchases of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Purchases of tangible property (other than stock in trade, except where neither party to the transaction is a U.S. person) | | | | |
| (c) Purchases of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (d) Compensation paid for the rendition of technical, managerial, engineering, construction, scientific, or like services | | | | |
| (e) Commissions paid | | | | |
| (f) Rents and royalties paid | | | | |
| (g) Amounts loaned (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (h) Dividends paid | | | | |
| (i) Interest paid | | | | |
| Total (lines (a) through (i)) | | | | |

If an entry would be made in the above schedule except for the fact that no compensation was paid, indicate the categories in which this has occurred.

*If the United States person is a bank, as described in section 581, or is controlled within the meaning of section 368(c) by a bank, the term "transactions" shall not, as to a corporation with respect to which a return is filed, include banking transactions entered into on behalf of customers; in any event, however, deposits in accounts between a foreign corporation controlled by a United States person, and a bank, and withdrawals from such accounts shall be summarized by reporting end-of-month balances.

13. The following financial statements for the annual accounting period of the foreign corporation shall be filed with and made a part of this return: (a) [illegible] (b) Balance sheet as of end of period. (c) Analysis of changes in surplus accounts (include both opening and closing balance).

14. Exchange rate used: For Foreign [illegible] to U.S. $ [illegible] (If more than one rate is used, attach statement.)

15. If this return is filed on behalf of another person or persons to comply with their Form

| NAME | ADDRESS |
|---|---|
| | |

## Instructions

A. REQUIREMENT OF RETURN.—Every United States person shall make [illegible] annual information return on Form 2952 with respect to [illegible] foreign corporation [illegible] for an uninterrupted period of 30 days or more during such annual accounting period.

B. UNITED STATES PERSON.—The term "United States person" means (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) any estate or trust (other than a foreign estate or foreign trust, [illegible] sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, is not includible in gross income under Subtitle A of the Internal Revenue Code). See Section 1.6038-2(d) of the regulations for exception of certain residents of United States possessions.

C. CONTROL.—A person shall be considered to be in control of a foreign corporation if such person owns [illegible] of the total combined voting power of all classes of stock entitled to vote, or more than 50 percent of the total value of shares of all classes of stock of the foreign corporation. A person in control of a corporation which, in turn, owns more than 50 percent of the combined voting power, or of the value, of all classes of stock of another corporation is also treated as being in control of such other corporation.

*Example.*—Corporation A owns 51 percent of the voting stock in Corporation B. Corporation B owns 51 percent of the voting stock in Corporation C. Corporation C in turn owns 51 percent of the voting stock in Corporation D. Corporation D is controlled by Corporation A.

D. ATTRIBUTION RULES.—For the purpose of determining control of domestic or foreign corporations the constructive ownership rules of section 318(a) shall apply, except that:

(1) Stock owned by or for a partner or a beneficiary of an estate or trust shall not be considered owned by the partnership, estate, or trust when the effect is to consider a United States person as owning stock owned by a person who is not a United States person;

(2) A corporation will not be considered as owning stock owned by or for a 50 percent or more shareholder when the effect is to consider a United States person as owning stock owned by a person who is not a United States person; and

(3) If 10 percent or more in value of the stock in a corporation is owned, directly or indirectly, by or for any person, subparagraph (C) of section 318(a)(2) shall apply.

E. PERIOD COVERED BY RETURN.—The information required by this return shall be furnished for the annual accounting period of the foreign corporation [illegible] with or within the United States person's taxable year.

F. TIME AND PLACE FOR FILING RETURN.—Returns on Form 2952 shall be filed with the United States person's income tax return. An application for an extension of time for filing a return of income is also considered to be an application for an extension of time for [illegible]

G. TWO OR MORE PERSONS REQUIRED TO SUBMIT THE SAME INFORMATION.—If two or more persons are required to furnish information with respect to the same foreign corporation for the same period, such persons may, in lieu of making separate returns, jointly make one return. Such joint return shall be filed with the income tax return of any one of the persons making such joint return.

H. PERSONS EXCEPTED FROM FURNISHING INFORMATION.—Any person who [illegible] information return with respect to a foreign corporation need not furnish that information provided all of the following conditions are met:

(1) Such person does not directly own an interest in the foreign corporation;

(2) Such person is required to furnish the information solely by reason of attribution of stock ownership from a United States person;

(3) The person from whom the stock ownership is attributed furnishes all of the information required of the person to whom the stock ownership is attributed.

I. STATEMENT REQUIRED.—Any person who is required to file this return but does not do so because the information will be furnished by another person, must file a statement with his return indicating that such liability will be satisfied and identify the return with which the information will be filed and the place of filing. The statement below may be used for this purpose.

J. PENALTIES.—The information required by section 6038 of the Code must be furnished even though there are no foreign taxes which would be reduced. For criminal penalties for failure to file a return and filing a false or fraudulent return, see sections 7203, 7206, and 7207.

K. EFFECT ON TAX CREDIT.—Failure to furnish any information required by section 6038 will result in a reduction in the foreign taxes which are taken into account when figuring the credit under sections 901, 902, and 960 as provided in detail in paragraph (i) of Section 1.6038-2, Income Tax Regulations.

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## STATEMENT IN REGARD TO FILING REQUIREMENT OF FORM 2952

I have not filed Form 2952 because (check applicable box):

☐ I am excepted from filing and information will be furnished by the person from whom the stock ownership is attributable.

☐ A joint return has or will be filed.

| Person filing this statement | | The information required to be furnished on Form 2952 will be filed by: | |
|---|---|---|---|
| Name | | Name | |
| Address | | Address | |
| Identifying number | Year | Internal Revenue Service office | Identifying number |

U.S. GOVERNMENT PRINTING OFFICE: 1968—O-346-364

BEST COPY AVAILABLE

HIRSCH & CO S.A.R.L.

BALANCE SHEET JULY 2, 1970

## A S S E T S

| | |
|---|---|
| CURRENT ASSETS: | |
| Cash in bank and on hand | $10,994.51 |
| Deposits | 5,263.85 |
| Miscellaneous receivables | 12,188.09 |
| Total current assets | 28,446.45 |
| OTHER ASSETS: | |
| Furniture and fixtures - less depreciation | 6,321.83 |
| Leasehold improvements - less amortization | 2,149.40 |
| TOTAL ASSETS | $36,917.68 |

## L I A B I L I T I E S
## A N D N E T W O R T H

| | |
|---|---|
| LIABILITIES: | |
| Accrued taxes | $ 1,276.82 |
| Loan payable | 8,689.34 |
| Total liabilities | 9,966.16 |
| CAPITAL STOCK AND SURPLUS: | |
| Capital stock, $20 par value, authorized, issued and outstanding, 500 shares | 9,000.90 |
| Earned surplus | 17,950.62 |
| TOTAL LIABILITIES AND NET WORTH | $36,917.68 |

## HIRSCH & CO. S.A.R.L.

### STATEMENT OF INCOME AND EARNED SURPLUS
### FOR THE PERIOD ENDED JULY 2, 1970

| | | |
|---|---|---|
| INCOME: | | |
| Service fee income | $85,681.79 | |
| Miscellaneous | 4,920.08 | $90,601.87 |
| OPERATING EXPENSES: | | |
| Salaries | 29,226.64 | |
| Rent | 9,662.00 | |
| Payroll taxes | 7,876.27 | |
| Telephone and telex | 23,439.98 | |
| Quotation service | 63.49 | |
| Travel and entertainment | 3,631.84 | |
| Stationery and printing | 1,967.07 | |
| Office maintenance and repairs | 1,130.28 | |
| Postage | 1,384.05 | |
| Gas and electricity | 349.89 | |
| Transportation indemnity | 324.63 | |
| Subscriptions | 548.37 | |
| Insurance | 163.72 | |
| Turnover | 862.81 | |
| Miscellaneous | 992.56 | 81,623.60 |
| NET INCOME BEFORE FRENCH INCOME TAXES | | 8,978.27 |
| PROVISION FOR FRENCH INCOME TAXES | | 3,868.54 |
| NET INCOME | | 5,109.73 |
| EARNED SURPLUS, JANUARY 1, 1970 | | 12,840.89 |
| EARNED SURPLUS, JULY 2, 1970 | | $17,950.62 |

FORM 3646 (Rev. May 1966)
U.S. Treasury Department
Internal Revenue Service

# INCOME FROM CONTROLLED FOREIGN CORPORATION

(Under Sections 951 through 972 of the Internal Revenue Code)

Attach to Your Tax Return

A. Name and address as shown on your income tax return
[illegible] & Co., [illegible] Attn: Mr. Paul L. Kelly
c/o F.I. duPont, Glore Forgan & Co.,
1 Wall Street, New York, N.Y. 10005

B. Taxable year ending
December 31, 1970

The following information relates to the controlled foreign corporation. A separate Form 3646 must be filed for each controlled foreign corporation. See instruction E.

C. Name, address, and employer identification number, if any, of controlled foreign corporation
Hirsch & Co., S.A.R.L.
8 Rue de Penthieu, Paris 8e, France

D. Taxable year ending
July 2, 1970

E. Nature of business
Promotion and Solicitation of [illegible] & Hirsch & Co.

F. Country under whose laws incorporated
France

G. Date of incorporation
11/30/62

H. Country in which principal place of business is located
France

I. Has a minimum distribution election been made with respect to your total interest in the controlled foreign corporation (section 963)? Yes ☐ No ☒. If "Yes," omit Schedules B, C, and F, and line 1 of Schedule A.

J. Did the controlled foreign corporation have foreign base company income (as determined for purposes of section 954(b)(3)(A)) constituting 30 percent or more of its gross income? Yes ☐ No ☒. If "No," omit Schedule C and check if amounts were excluded under section 954(b)(2) ☐, and/or section 954(b)(4) ☐.

K. Did the controlled foreign corporation receive premiums and other consideration from the insurance of United States risks in excess of 5 percent of the premiums and consideration received from insurance of all risks (section 953)? Yes ☐ No ☒. If "No," omit line 1 of Schedule B.

L. Has any amount ever been excluded from the foreign base company income of the controlled foreign corporation because of an increase in qualified investments in less developed countries? Yes ☐ No ☒. If "Yes," complete Schedule E.

M. Has any amount ever been excluded from the subpart F income of the controlled foreign corporation because it qualified as an export trade corporation? Yes ☐ No ☒. If "Yes," complete Schedule G.

N. Did the controlled foreign corporation hold any United States property at the close of its taxable year (other than property excluded under section 956(b)(2))? Yes ☐ No ☒. If "Yes," complete Schedule D.

O. Is the controlled foreign corporation a foreign investment company or a foreign personal holding company? Yes ☐ No ☒. If "Yes," see section 951(c) or (d) and the regulations thereunder.

## SCHEDULE A—SUMMARY

| | |
|---|---|
| 1. Pro rata share of subpart F income (Schedule B) | No sub-part F income |
| 2. Pro rata share of increase in earnings invested in United States property (Schedule D) | |
| 3. Pro rata share of previously excluded subpart F income withdrawn from investment in less developed countries (Schedule E) | |
| 4. Pro rata share of previously excluded export trade income withdrawn from investment in export trade assets (Schedule G) | |
| 5. Total of lines 1 through 4. Enter here and on your tax return | |

## SCHEDULE C—PRO RATA SHARE OF SUBPART F INCOME

| | |
|---|---|
| 1. Income derived from insurance of United States risks (section 953—attach schedule) | |
| 2. Foreign base company income (Schedule C) | |
| 3. Total of lines 1 and 2 | |
| 4. Exclusion of net United States source income (section 952(b)) | |
| 5. Line 3 less line 4 | |
| 6. Pro rata share of line 5 (see regs. sec. 1.951-1(e)) | |
| 7. Pro rata share of earnings and profits limitation (sections 952(c) and (d)) | |
| 8. Line 6 or line 7, whichever is lesser | |
| 9. Pro rata share of reduction for export trade income (Schedule F) | |
| 10. Line 8 less line 9 | |
| 11. Part of year corporation was a controlled foreign corporation over entire year times line 10, i.e. $\left(\frac{\text{days}}{365} \times \text{line 10}\right)$ | |
| 12. Dividends paid to any other person with respect to your stock | |
| 13. Part of year you did not own such stock over entire year times line 10, i.e. $\left(\frac{\text{days}}{365} \times \text{line 10}\right)$ | |
| [illegible] | |

## SCHEDULE C—FOREIGN BASE COMPANY INCOME

Show gross amounts before exclusions. If the entire gross income of the controlled foreign corporation is treated under section 954(b)(3)(B) as foreign base company income, omit lines 1 through 10 and enter such gross income on line 11.

| | | |
|---|---|---|
| 1. Rents and royalties | | |
| 2. Less: (a) Rents and royalties derived in the active conduct of a trade or business and received from an unrelated person (section 954(c)(3)(A)) | | |
| (b) Rents and royalties received from a related person for the use of property in the country of incorporation of the controlled foreign corporation (section 954(c)(4)(C)) | | |
| 3. Line 1 less line 2 | | |
| 4. Dividends, interest, and net gains from the sale or exchange of stock or securities | | |
| 5. Less: Dividends, interest, and net gains described in sections 954(c)(3)(B), 954(c)(4)(A), and 954(c)(4)(B) | | |
| 6. Line 4 less line 5 | | |
| 7. Other foreign personal holding company income | | |
| 8. Total foreign personal holding company income (sum of lines 3, 6, and 7) | | |
| 9. Foreign base company sales income (section 954(d)) | | |
| 10. Foreign base company services income (section 954(e)) | | |
| 11. Total of lines 8, 9, and 10 | | |
| 12. Exclusion of certain gross amounts: | | |
| (a) Shipping income described in section 954(b)(2) | | |
| (b) Income of controlled foreign corporation not availed of to substantially reduce income taxes (section 954(b)(4)) | | |
| (c) Dividends described in section 959(b) | | |
| 13. Line 11 less line 12 | | |
| 14. Deductions (including taxes) allocable to amounts included on line 13 (section 954(b)(5)) | | |
| 15. Line 13 less line 14 | | |
| 16. Exclusion of certain income described in section 954(b)(1): | | |
| (a) Net amount of line 15 attributable to dividends, interest, and net gains from qualified investments in less developed countries | | |
| (b) Increase in qualified investments in less developed countries (see regs. sec. 1.954-5—attach computation) | | |
| Check if an election is in effect for the taxable year under regs. sec. 1.955-3.. ☐. | | |
| (c) Enter line 16(a) or line 16(b) whichever is lesser | | |
| 17. Foreign base company income (line 15 less line 16(c)). Enter here and on line 2 Schedule B | | |

## SCHEDULE D—PRO RATA SHARE OF INCREASE IN EARNINGS INVESTED IN UNITED STATES PROPERTY

| | |
|---|---|
| 1. Amount of United States property (other than property excluded under section 956(b)(2)) held, directly or indirectly, by the controlled foreign corporation at the close of the taxable year | |
| 2. If limitation applies, enter current and accumulated earnings and profits at the close of the taxable year (see regs. sec. 1.956-1(b)) | |
| 3. Amount of earnings invested in United States property at the close of the taxable year which would constitute a dividend if distributed on such date (line 1 or line 2, whichever is applicable) | |
| 4. Amount of United States property (other than property excluded under section 956(b)(2)) held, directly or indirectly, by the controlled foreign corporation at the close of the preceding taxable year | |
| 5. If limitation applies, enter current and accumulated earnings and profits at the close of the preceding taxable year (see regs. sec. 1.956-1(b)) | |
| 6. Amount of earnings invested in United States property at the close of the preceding taxable year which would constitute a dividend if distributed on such date (line 4 or line 5, whichever is applicable) | |
| 7. Amounts paid during the preceding taxable year to which section 959(c)(1) applies | |
| 8. Line 6 less line 7 | |
| 9. Pro rata share of line 3 (see regs. sec 1.956-1(d)) | |
| 10. Pro rata share of line 8 (see regs. sec. 1.956-1(d)) | |
| 11. Line 9 less line 10 | |
| 12. Part of year corporation was a controlled foreign corporation over entire year times line 11, i.e. $\left(\frac{\text{days}}{365} \times \text{line 11}\right)$ | |
| 13. Amounts excludable under section 959(a)(2) | |
| [illegible] earnings invested in United States property (line 12 less line 13). Enter here | |

## SCHEDULE E—PRO RATA SHARE OF PREVIOUSLY EXCLUDED SUBPART F INCOME WITHDRAWN FROM INVESTMENT IN LESS DEVELOPED COUNTRIES

1. Decrease in qualified investments in less developed countries (see sec. 1.955-1(b)(1)—attach computation) ... _____
   Check if an election is in effect for the taxable year under regs. sec. 1.955-3 ... ☐.
2. Limitation (see regs. sec. 1.955-1(b)(2)):
   (a) Sum of earnings and profits for the taxable year and earnings and profits accumulated for prior taxable years beginning after December 31, 1962 ... _____
   (b) Sum of amounts excluded under section 954(b)(1) from foreign base company income for all prior taxable years, less sum of such amounts withdrawn under section 955(a) for such years (see regs. sec. 1.955-1(c)(2)) ... _____
3. Enter line 2(a) or line 2(b), whichever is lesser ... _____
4. Previously excluded subpart F income withdrawn for the taxable year (line 1 or line 3, whichever is lesser) ... _____
5. Pro rata share of line 4 (see regs. sec. 1.955-1(c)(1)) ... _____
6. Part of year corporation was a controlled foreign corporation over entire year times line 5, i.e. $\left(\frac{\text{days}}{365} \times \text{line 5}\right)$. Enter here and on line 3, Schedule A ... _____

## SCHEDULE F—PRO RATA SHARE OF REDUCTION FOR EXPORT TRADE INCOME

1. Total export trade income (section 971(b)) ... _____
2. Amount of line 1 which constitutes foreign base company income included in line 17 of Schedule C ... _____
3. 150 percent of export promotion expenses allocable to export trade income which constitutes foreign base company income (see regs. sec. 1.970-1(b)(2)(i)) ... _____
4. 10 percent of gross receipts and gross amounts received or accrued which are attributable to export trade income which constitutes foreign base company income (see regs. sec. 1.970-1(b)(2)(ii)) ... _____
5. Increase in investments in export trade assets (see regs. sec. 1.970-1(d)(2)—attach computation) ... _____
   Check if an election is in effect for the taxable year under regs. sec. 1.970-2(a)(2) ... ☐ and/or regs. sec. 1.970-2(a)(3) ... ☐.
6. Line 5 times line 2 divided by line 1 ... _____
7. Reduction for export trade income—enter the smallest of line 2, 3, 4, or 6 ... _____
8. Pro rata share of line 7 (see regs. sec. 1.951-1(e)). Enter here and on line 9, Schedule B ... _____

## SCHEDULE G—PRO RATA SHARE OF PREVIOUSLY EXCLUDED EXPORT TRADE INCOME WITHDRAWN FROM INVESTMENT IN EXPORT TRADE ASSETS

1. Decrease in investments in export trade assets (see regs. sec. 1.970-1(d)(3)—attach computation) ... _____
   Check if an election is in effect for the taxable year under regs. sec. 1.970-2(a)(2) ... ☐ and/or regs. sec. 1.970-2(a)(3) ... ☐.
2. Pro rata share of line 1 ... _____
3. Pro rata share of the sum of earnings and profits for the taxable year and earnings and profits accumulated for prior taxable years beginning after December 31, 1962 (see regs. sec. 1.970-1(c)(2)(ii)) ... _____
4. Limitation under section 970(b) (see regs. sec. 1.970-1(c)(2)(i)):
   (a) Pro rata share of the sum of the amounts by which subpart F income for prior taxable years was reduced under section 970(a) ... _____
   (b) Pro rata share of the sum of the amounts which were not included in subpart F income for prior taxable years by reason of section 972 ... _____
   (c) Total of lines 4(a) and 4(b) ... _____
   (d) Less: Pro rata share of the sum of the amounts which were previously included in your gross income for prior taxable years under section 951(a)(1)(A)(ii) by reason of section 970(b) ... _____
5. Line 4(c) less line 4(d) ... _____
6. Enter the smallest of line 2, 3, or 5 ... _____
7. Part of year corporation was a controlled foreign corporation over entire year times line 6, i.e. $\left(\frac{\text{days}}{365} \times \text{line 6}\right)$. Enter here and on line 4, Schedule A ... _____

## SCHEDULE H—RECONCILIATION OF BOOK PROFITS TO EARNINGS AND PROFITS (See instruction I)

Indicate the section of the Code under which earnings and profits are being determined—

Section 902 ☐ Section 963 ☐ Section 954 ☐

| | NET ADDITIONS | NET SUBTRACTIONS | |
|---|---|---|---|
| 1. Profit (loss) for the taxable year per books of account (before reduction for any income, war profits, and excess profits taxes) | | | |
| 2. Net adjustments to book profit in determining earnings and profits for U.S. tax purposes. Enter only a net addition or net subtraction for each item. No adjustment is required to be shown unless it is material in amount: | | | |
| (a) Capital gains or losses | | | |
| (b) Depreciation | | | |
| (c) Depletion | | | |
| (d) Investment or incentive allowance | | | |
| (e) Charges to statutory reserves | | | |
| (f) Inventory valuation adjustments | | | |
| (g) Other (exclude income, war profits, and excess profits taxes) | | | |
| 3. Total net additions | | | |
| 4. Total net subtractions | | | |
| 5. Line 1 plus line 3 less line 4 | | | |
| 6. Unrealized exchange gain (loss) under section 964(a) (omit if earnings and profits are not computed under section 964(a)) | | | |
| 7. Earnings and profits for the taxable year (before reduction for any income, war profits, and excess profits taxes) (total of lines 5 and 6) | | | |

8. Total income, war profits, and excess profits taxes paid or accrued on or with respect to earnings and profits shown on line 7:

| COUNTRY TO WHICH PAID | AMOUNT | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | U.S. dollars |
| | | | |
| | | | |
| | | | |
| Total | | | |

9. Earnings and profits (after reduction for any income, war profits, and excess profits taxes) (line 7 less line 8)

10. If earnings and profits are computed other than under the rules of section 964(a), specify the exchange rate(s) used to convert amounts to U.S. dollars and the foreign currency so converted (attach schedule if necessary):
(a) Foreign currency
(b) Rate of exchange

11. Was the foreign corporation included in a minimum distribution election under section 963? Yes ☐ No ☐. If "No," omit (a) through (e):
(a) Amount of distributions received by such corporation from other corporations included in such election
(b) Amount of income, war profits, and excess profits taxes paid by such corporation by reason of the receipt of such distributions (excluding withholding taxes)
(c) Amount of withholding taxes borne by such corporation by reason of the receipt of such distributions
(d) Total of lines (b) and (c)
(e) Exchange rate(s) used for purposes of (a), (b), and (c)

U.S. GOVERNMENT PRINTING OFFICE : 1964—O-215-714

Form 2952 (Rev. Jan. 1969)

Department of the Treasury
Internal Revenue Service

# Information Return with Request to Controlled Foreign Corporations

(Under Section 6038 of the Internal Revenue Code)

For Calendar Year 19 ...
or other taxable year beginning January 1, 19 71 and ending July 2, 1970

Name of United States person
Hirsch & Co. in liquidation, Att: Dr. Paul L. Kohns

Address
c/o [illegible] & Co., 1 Wall Street

Identifying number (Social security number or employer identification number if other than individual)
13-55[illegible]

**The following information must be submitted on a separate Form 2952 for each Controlled Foreign Corporation (See instructions). Amounts must be stated in U.S. dollars and all information must be in the English language.**

1. (a) Name and address of foreign corporation
Hirsch & Co., Gesellschaft M.b.H.
[illegible]

(b) Employer identification No., if any
None

2. Name and address of statutory or resident agent in country of incorporation
Paul Chernik, c/o Hirsch & Co., Gesellschaft M.b.H.
1, Weihburggasse 5, Vienna 1010, Austria

3. (a) Name and address of branch or agent in the United States
None

(b) Identifying number

4. Name and address of custodian of books and records and location of books and records if different from such address
Same as 2 above

5. Nature of business and principal cities and countries where conducted
See answer to Item 5 below

6. Date of incorporation
November 1967

7. Information furnished for period—
beginning Jan. 1, 19 71 ending July 2 1970

8. Country under whose laws incorporated
Austria

9. (a) Description of each class of stock

(b) Number of shares of each class outstanding—

| (a) Description of each class of stock | at the beginning of the annual accounting period | at the end of the annual accounting period |
|---|---|---|
| Capital stock | 250 | 0 |
| | | |

10. The following information must be submitted for each United States person who is a shareholder owning at any time during the annual accounting period 5 percent or more in value of any class of outstanding stock (If more space is needed attach a supplemental schedule):

| NAME OF SHAREHOLDER | IDENTIFYING NUMBER | ADDRESS | CLASS OF STOCK | NUMBER OF SHARES HELD |
|---|---|---|---|---|
| Hirsch & Co. in liquidation | 13-55[illegible] | As above | Capital | 250 |

Answer to Item 5:

Corporation represented interests of Hirsch & Co. in Austria, [illegible] for purchase and sale of securities from customers resident in Austria, providing statistics, information and other services for customers in Austria, and furnishing Hirsch & Co. with financial and other [illegible] information relating to security markets in Austria.

11. (a) Current earnings and profits (after reduction for foreign income, war profits, and excess profits taxes paid or accrued - see section 964(a) and the regulations thereunder)
$ [illegible]

(b) Current foreign income, war profits, and excess profits taxes paid or accrued (exclude amounts withheld on distributions)
$ 270.25

(c) Distributions out of current earnings and profits
$ [illegible]

(d) Other distributions (give source)
$ 1,[illegible]

12. *Enter a summary showing the total amount of each of the following types of transactions which took place during the annual accounting period, between the controlled foreign corporation (column (1)) and the persons enumerated in columns (2), (3), (4), and (5).

| (1) TRANSACTIONS OF CONTROLLED FOREIGN CORPORATION | (2) UNITED STATES PERSON FILING RETURN | (3) ANY CORPORATION CONTROLLED BY PERSON FILING RETURN | (4) 10 PERCENT OR MORE U.S. SHAREHOLDER OF CONTROLLED FOREIGN CORPORATION (OTHER THAN CONTROLLING SHAREHOLDER) | (5) 10 PERCENT OR MORE U.S. SHAREHOLDER OF DOMESTIC CORPORATION FILING THIS RETURN |
|---|---|---|---|---|
| (a) Sales of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Sales of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (c) Compensation received for the rendition of technical, managerial, engineering, construction, scientific, or like services | 24,210.53 | | | |
| (d) Commissions received | | | | |
| (e) Rents and royalties received | | | | |
| (f) Amounts borrowed (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (g) Dividends received | | | | |
| (h) Interest received | | | | |
| (i) Premiums received for insurance or reinsurance | | | | |
| Total (lines (a) through (i)) | [illegible] | | | |
| (a) Purchases of stock in trade (except in the ordinary course of business where neither party to the transaction is a U.S. person) | | | | |
| (b) Purchases of tangible property (other than stock in trade, except where neither party to the transaction is a U.S. person) | | | | |
| (c) Purchases of property rights (e.g., patents, trademarks, secret formulas, etc.) | | | | |
| (d) Compensation paid for the rendition of technical, managerial, engineering, construction, scientific, or like services | | | | |
| (e) Commissions paid | | | | |
| (f) Rents and royalties paid | | | | |
| (g) Amounts loaned (other than open accounts which arise and are collected in the ordinary course of business) | | | | |
| (h) Dividends paid | | | | |
| (i) Interest paid | | | | |
| Total (lines (a) through (i)) | | | | |

If an entry would be made in the above schedule except for the fact that no compensation was paid, indicate the categories in which this has occurred.

*If the United States person is a bank, as described in section 581, or is controlled within the meaning of section 368(c) by a bank, the term "transactions" shall not, as to a corporation with respect to which a return is filed, include banking transactions entered into on behalf of customers, in any event, however, deposits in accounts between a foreign corporation controlled by a United States person, and a bank, and withdrawals from such accounts shall be summarized by reporting end-of-month balances.

13. The following financial statements for the annual accounting period of the foreign corporation shall be filed with and made a part of this return: (a) Profit and loss statement for the period; (b) Balance sheet as of the end of the period; (c) Analysis of changes in surplus accounts (include both opening and closing balance).

14. Exchange rate used [illegible] .033725552 (If more than one rate is used, attach statement.)

15. If this return is filed on behalf of another person or is a joint return complete the following:

| NAME | ADDRESS |
|---|---|
| | |
| | |

## Instructions

A. REQUIREMENT OF RETURN.– Every United States person shall make a [illegible] return on Form 2952 with respect to a foreign corporation for the annual accounting period of such foreign corporation ending with or within the taxable year of such United States person if such United States person owns (within the meaning of section 958(a)) or is considered as owning by applying the ownership rules of section 958(b)) stock in such foreign corporation on the last day, during such foreign corporation's annual accounting period, on which such foreign corporation is a controlled foreign corporation (as defined in section 957(a)), and such United States person owns such stock on such day. However, a return is not required by a person by reason of stock owned by such person in a foreign corporation for an annual accounting period of such foreign corporation if such foreign corporation was a controlled foreign corporation for an uninterrupted period of 30 days or more during such annual accounting period.

B. UNITED STATES PERSON.—The term "United States person" means (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, except a corporation which is exempt from taxation under section 501 (other than a foreign personal holding company described in section 542), or (4) any estate or trust (other than a foreign estate or trust within the meaning of section 7701(a)(31)). The term does not include a person who is not resident in the United States if such person derives from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, income which is not included in gross income under Subtitle A of the Internal Revenue Code). See Section 1.6038-2(d) of the regulations for exception of certain residents of United States possessions.

C. CONTROL.—A person shall be deemed to be in control of a foreign corporation if such person owns (within the meaning of section 958(a)) stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote or more than 50 percent of the total value of shares of all classes of stock of the foreign corporation. A person in control of a corporation which, in turn, owns more than 50 percent of the combined voting power, or of the value, of all classes of stock of another corporation is also treated as being in control of such other corporation.

*Example.*—Corporation A owns 51 percent of the voting stock in Corporation B. Corporation B owns 51 percent of the voting stock in Corporation C. Corporation C in turn owns 51 percent of the voting stock in Corporation D. Corporation D is controlled by Corporation A.

D. ATTRIBUTION RULES.—For the purpose of determining control of domestic or foreign corporations the constructive ownership rules of section 318(a) shall apply, except that:

(1) Stock owned by or for a partner or a beneficiary of an estate or trust shall not be considered owned by the partnership, estate, or trust when the effect is to consider a United States person as owning stock owned by a person who is not a United States person;

(2) A corporation will not be considered as owning stock owned by or for a 50 percent or more shareholder when the effect is to consider a United States person as owning stock owned by a person who is not a United States person; and

(3) If 10 percent or more in value of the stock in a corporation is owned, directly or indirectly, by or for any person, subparagraph (C) of section 318(a)(2) shall apply.

E. PERIOD COVERED BY RETURN.—The information required by this return shall be furnished for the annual accounting period of the foreign corporation ending with or within the United States person's taxable year.

F. TIME AND PLACE FOR FILING RETURN.—Returns on Form 2952 shall be filed with the United States person's income tax return. An application for an extension of time for filing a return of income is also considered as an application for an extension of time for filing returns on Form 2952.

G. TWO OR MORE PERSONS REQUIRED TO SUBMIT THE SAME INFORMATION.—If two or more persons are required to furnish information with respect to the same foreign corporation for the same period, such persons may, in lieu of making separate returns, jointly make one return. Such joint return shall be filed with the income tax return of any one of the persons making such joint return.

H. PERSONS EXCEPTED FROM FURNISHING INFORMATION.—Any person required by section 6038(a) to furnish information with respect to a foreign corporation need not furnish that information provided all of the following conditions are met:

(1) Such person does not directly own an interest in the foreign corporation;

(2) Such person is required to furnish the information solely by reason of attribution of stock ownership from a United States person;

(3) The person from whom the stock ownership is attributed furnishes all of the information required of the person to whom the stock ownership is attributed.

I. STATEMENT REQUIRED.—Any person who is required to file this return but does not do so because the information will be furnished by another person, must file a statement with his return indicating that such liability will be satisfied and identify the return with which the information will be filed and the place of filing. The statement below may be used for this purpose.

J. PENALTIES.—The information required by section 6038 of the Code must be furnished even though there are no foreign taxes which would be reduced. For criminal penalties for failure to file a return and filing a false or fraudulent return, see sections 7203, 7206, and 7207.

K. EFFECT ON TAX CREDIT.—Failure to furnish any information required by section 6038 will result in a reduction in the foreign taxes which are taken into account when figuring the credit under sections 901, 902, and 960 as provided in detail in paragraph (i) of Section 1.6038-2, Income Tax Regulations.

## STATEMENT IN REGARD TO FILING REQUIREMENT OF FORM 2952

I have not filed Form 2952 because (check applicable box):

☐ I am excepted from filing and information will be furnished by the person from whom the stock ownership is attributable.

☐ A joint return has or will be filed.

| Person filing this statement | | The information required to be furnished on Form 2952 will be filed by: | |
|---|---|---|---|
| Name | | Name | |
| Address | | Address | |
| Identifying number | Year | Internal Revenue Service office | Identifying number |

U.S. GOVERNMENT PRINTING OFFICE: 1983—O-328-364

BEST COPY AVAILABLE

HIRSCH & CO. GESELLSCHAFT M.b.H.

BALANCE SHEET, JULY 2, 1970

## A S S E T S

| | |
|---|---|
| RRENT ASSETS: | |
| Cash in banks and on hand | $ 3,266.23 |
| Due from Hirsch & Co. | 4,440.00 |
| Total current assets | 7,706.23 |
| HER ASSETS: | |
| Furniture and fixtures - less depreciation | 4,760.59 |
| Leasehold improvements - less amortization | 2,772.53 |
| TOTAL ASSETS | $15,239.35 |

## L I A B I L I T I E S A N D N E T W O R T H

| | |
|---|---|
| ABILITIES: | |
| Taxes withheld | $ 530.54 |
| Accrued taxes | 614.18 |
| Loans payable | 3,872.56 |
| Total liabilities | 5,017.28 |
| PITAL STOCK AND SURPLUS: | |
| Capital stock | 9,688.04 |
| Earned surplus | 534.03 |
| TOTAL LIABILITIES AND NET WORTH | $15,239.35 |

HIRSCH & CO. GESELLSCHAFT M.b.H.

STATEMENT OF INCOME AND EARNED SURPLUS
FOR THE PERIOD ENDED JULY 2, 1970

| | | |
|---|---|---|
| CCME: | | |
| Service fee income | | $24,210.53 |
| Miscellaneous | | 13.85 |
| Total income | | 24,224.38 |
| ERATING EXPENSES: | | |
| Salaries and bonus | $10,513.21 | |
| Rent | 1,521.07 | |
| Payroll taxes | 1,716.58 | |
| Telephone and telex | 6,022.17 | |
| Depreciation and amortization of furniture and fixtures and leasehold improvements | 837.73 | |
| Travel and entertainment | 437.08 | |
| Stationery and printing | 400.86 | |
| Office maintenance and repairs | 91.98 | |
| Postage | 140.50 | |
| Gas and electric | 244.05 | |
| Advertising | 423.12 | |
| Interest | 119.30 | |
| Subscriptions | 53.21 | |
| Professional fees | 465.87 | |
| Miscellaneous | 686.37 | 23,673.10 |
| T INCOME BEFORE AUSTRIAN INCOME TAXES | | 551.28 |
| ROVISION FOR AUSTRIAN INCOME TAXES | | 270.23 |
| T INCOME | | 281.05 |
| RNED SURPLUS, JANUARY 1, 1970 | | 252.98 |
| RNED SURPLUS, JULY 2, 1970 | | $ 534.03 |

Form 3646 (Rev. May 1969) U.S. Treasury Department Internal Revenue Service

# INCOME FROM CONTROLLED FOREIGN CORPORATION

(Under Sections 951 through 972 of the Internal Revenue Code)

Attach to Your Tax Return

A. Name and address as shown on your ind. tax return: Hirsch & Co. (In Liquidation) Att. Mr. Paul L. Kohns c/o F. I. duPont, Glore Forgan & Co., 1 Wall St., New York, N. Y. 10004

B. Taxable year ending: Dec. 31, 1970

The following information relates to the controlled foreign corporation. A separate Form 3646 must be filed for each controlled foreign corporation. See instruction E.

C. Name, address, and employer identification number, if any, of controlled foreign corporation: Hirsch & Co. Gesellschaft M.b.H. 1, Universitatsstrasse 5, Vienna 1010, Austria

D. Taxable year ending: July 2, 1970

E. Nature of business: See page 3

F. Country under whose laws incorporated: Austria

G. Date of incorporation: Nov. 1967

H. Country in which principal place of business is located: Austria

I. Has a minimum distribution election been made with respect to your total interest in the controlled foreign corporation (section 963)? Yes ☐ No ☒. If "Yes," omit Schedules B, C, and F, and line 1 of Schedule A.

J. Did the controlled foreign corporation have foreign base company income (as determined for purposes of section 954(b)(3)(A)) constituting 30 percent or more of its gross income? Yes ☐ No ☒. If "No," omit Schedule C and check if amounts were excluded under section 954(b)(2) ☐, and/or section 954(b)(4) ☐.

K. Did the controlled foreign corporation receive premiums and other consideration from the insurance of United States risks in excess of 5 percent of the premiums and consideration received from insurance of all risks (section 953)? Yes ☐ No ☒. If "No," omit line 1 of Schedule B.

L. Has any amount ever been excluded from the foreign base company income of the controlled foreign corporation because of an increase in qualified investments in less developed countries? Yes ☐ No ☒. If "Yes," complete Schedule E.

M. Has any amount ever been excluded from the subpart F income of the controlled foreign corporation because it qualified as an export trade corporation? Yes ☐ No ☒. If "Yes," complete Schedule G.

N. Did the controlled foreign corporation hold any United States property at the close of its taxable year (other than property excluded under section 956(b)(2))? Yes ☐ No ☒. If "Yes," complete Schedule D.

O. Is the controlled foreign corporation a foreign investment company or a foreign personal holding company? Yes ☐ No ☒. If "Yes," see section 951(c) or (d) and the regulations thereunder.

## SCHEDULE A—SUMMARY

| | |
|---|---|
| 1. Pro rata share of subpart F income (Schedule B) | No sub.Part F |
| 2. Pro rata share of increase in earnings invested in United States property (Schedule D) | income |
| 3. Pro rata share of previously excluded subpart F income withdrawn from investment in less developed countries (Schedule E) | |
| 4. Pro rata share of previously excluded export trade income withdrawn from investment in export trade assets (Schedule G) | |
| 5. Total of lines 1 through 4. Enter here and on your tax return | |

## SCHEDULE B—PRO RATA SHARE OF SUBPART F INCOME

| | |
|---|---|
| 1. Income derived from insurance of United States risks (section 953—attach schedule) | |
| 2. Foreign base company income (Schedule C) | |
| 3. Total of lines 1 and 2 | |
| 4. Exclusion of net United States source income (section 952(b)) | |
| 5. Line 3 less line 4 | |
| 6. Pro rata share of line 5 (see regs. sec. 1.951-1(e)) | |
| 7. Pro rata share of earnings and profits limitation (sections 952(c) and (d)) | |
| 8. Line 6 or line 7, whichever is lesser | |
| 9. Pro rata share of reduction for export trade income (Schedule F) | |
| 10. Line 8 less line 9 | |
| 11. Part of year corporation was a controlled foreign corporation over entire year times line 10, i.e. $\left(\frac{\text{days}}{365} \times \text{line 10}\right)$ | |
| 12. Dividends paid to any other person with respect to your stock | |
| 13. Part of year you did not own such stock over entire year times line 10, i.e. $\left(\frac{\text{days}}{365} \times \text{line 10}\right)$ | |

## SCHEDULE C—FOREIGN BASE COMPANY INCOME

Show gross amounts before exclusions. If the entire gross income of the controlled foreign corporation is treated under section 954(b)(3)(B) as foreign base company income, omit lines 1 through 10 and enter such gross income on line 11.

| | | |
|---|---|---|
| 1. Rents and royalties | | |
| 2. Less: (a) Rents and royalties derived in the active conduct of a trade or business and received from an unrelated person (section 954(c)(3)(A)) | | |
| (b) Rents and royalties received from a related person for the use of property in the country of incorporation of the controlled foreign corporation (section 954(c)(4)(C)) | | |
| 3. Line 1 less line 2 | | |
| 4. Dividends, interest, and net gains from the sale or exchange of stock or securities | | |
| 5. Less: Dividends, interest and net gains described in sections 954(c)(3)(B), 954(c)(4)(A), and 954(c)(4)(B) | | |
| 6. Line 4 less line 5 | | |
| 7. Other foreign personal holding company income | | |
| 8. Total foreign personal holding company income (sum of lines 3, 6, and 7) | | |
| 9. Foreign base company sales income (section 954(d)) | | |
| 10. Foreign base company services income (section 954(e)) | | |
| 11. Total of lines 8, 9, and 10 | | |
| 12. Exclusion of certain gross amounts: | | |
| (a) Shipping income described in section 954(b)(2) | | |
| (b) Income of controlled foreign corporation not availed of to substantially reduce income taxes (section 954(b)(4)) | | |
| (c) Dividends described in section 959(b) | | |
| 13. Line 11 less line 12 | | |
| 14. Deductions (including taxes) allocable to amounts included on line 13 (section 954(b)(5)) | | |
| 15. Line 13 less line 14 | | |
| 16. Exclusion of certain income described in section 954(b)(1): | | |
| (a) Net amount of line 15 attributable to dividends, interest, and net gains from qualified investments in less developed countries | | |
| (b) Increase in qualified investments in less developed countries (see regs. sec. 1.954-5—attach computation) | | |
| Check if an election is in effect for the taxable year under regs. sec. 1.955-3. ☐ | | |
| (c) Enter line 16(a) or line 16(b) whichever is lesser | | |
| 17. Foreign base company income (line 15 less line 16(c)). Enter here and on line 2, Schedule B | | |

## SCHEDULE D—PRO RATA SHARE OF INCREASE IN EARNINGS INVESTED IN UNITED STATES PROPERTY

| | |
|---|---|
| 1. Amount of United States property (other than property excluded under section 956(b)(2)) held, directly or indirectly, by the controlled foreign corporation at the close of the taxable year | |
| 2. If limitation applies, enter current and accumulated earnings and profits at the close of the taxable year (see regs. sec. 1.956-1(b)) | |
| 3. Amount of earnings invested in United States property at the close of the taxable year which would constitute a dividend if distributed on such date (line 1 or line 2, whichever is applicable) | |
| 4. Amount of United States property (other than property excluded under section 956(b)(2)) held, directly or indirectly, by the controlled foreign corporation at the close of the preceding taxable year | |
| 5. If limitation applies, enter current and accumulated earnings and profits at the close of the preceding taxable year (see regs. sec. 1.956-1(b)) | |
| 6. Amount of earnings invested in United States property at the close of the preceding taxable year which would constitute a dividend if distributed on such date (line 4 or line 5, whichever is applicable) | |
| 7. Amounts paid during the preceding taxable year to which section 959(c)(1) applies | |
| 8. Line 6 less line 7 | |
| 9. Pro rata share of line 3 (see regs. sec. 1.956-1(d)) | |
| 10. Pro rata share of line 8 (see regs. sec. 1.956-1(d)) | |
| 11. Line 9 less line 10 | |
| 12. Part of year corporation was a controlled foreign corporation over entire year times line 11, i.e. $\left(\frac{\text{days}}{365} \times \text{line 11}\right)$ | |
| 13. Amounts excludable under section 959(a)(2) | |
| [illegible] (line 12 less line 13). Enter here | |

## SCHEDULE E—PRO RATA SHARE OF PREVIOUSLY EXCLUDED SUBPART F INCOME WITHDRAWN FROM INVESTMENT IN LESS DEVELOPED COUNTRIES

1. Decrease in qualified investments in less developed countries (see regs. sec. 1.955–1(b)(1)—attach computation) ... _____
   Check if an election is in effect for the taxable year under regs. sec. 1.955–3 ..... ☐
2. Limitation (see regs. sec. 1.955–1(b)(2)):
   (a) Sum of earnings and profits for the taxable year and earnings and profits accumulated for prior taxable years beginning after December 31, 1962 ..... _____
   (b) Sum of amounts excluded under section 954(b)(1) from foreign base company income for all prior taxable years, less sum of such amounts withdrawn under section 955(a) for such years (see regs. sec. 1.955–1(b)(2)) ..... _____
3. Enter line 2(a) or line 2(b), whichever is lesser ..... _____
4. Previously excluded subpart F income withdrawn for the taxable year (line 1 or line 3, whichever is lesser) ... _____
5. Pro rata share of line 4 (see regs. sec. 1.955–1(c)(1)) ..... _____
6. Part of year corporation was a controlled foreign corporation over entire year times line 5, i.e. $\left(\frac{\text{days}}{365} \times \text{line 5}\right)$. Enter here and on line 3, Schedule A ..... _____

## SCHEDULE F—PRO RATA SHARE OF REDUCTION FOR EXPORT TRADE INCOME

1. Total export trade income (section 971(b)) ..... _____
2. Amount of line 1 which constitutes foreign base company income included in line 17 of Schedule C ..... _____
3. 150 percent of export promotion expenses allocable to export trade income which constitutes foreign base company income (see regs. sec. 1.970–1(b)(2)(i)) ..... _____
4. 10 percent of gross receipts and gross amounts received or accrued which are attributable to export trade income which constitutes foreign base company income (see regs. sec. 1.970–1(b)(2)(ii)) ..... _____
5. Increase in investments in export trade assets (see regs. sec. 1.970–1(d)(2)—attach computation) ..... _____
   Check if an election is in effect for the taxable year under regs. sec. 1.970-2(a)(2) .... ☐ and/or regs. sec. 1.970-2(a)(3) .... ☐.
6. Line 5 times line 2 divided by line 1 ..... _____
7. Reduction for export trade income—enter the smallest of line 2, 3, 4, or 6 ..... _____
8. Pro rata share of line 7 (see regs. sec. 1.951–1(e)). Enter here and on line 9, Schedule B ..... _____

## SCHEDULE G—PRO RATA SHARE OF PREVIOUSLY EXCLUDED EXPORT TRADE INCOME WITHDRAWN FROM INVESTMENT IN EXPORT TRADE ASSETS

1. Decrease in investments in export trade assets (see regs. sec. 1.970–1(d)(3)—attach computation) ..... _____
   Check if an election is in effect for the taxable year under regs. sec. 1.970–2(a)(2) .... ☐ and/or regs. sec. 1.970–2(a)(3) .... ☐.
2. Pro rata share of line 1 ..... _____
3. Pro rata share of the sum of earnings and profits for the taxable year and earnings and profits accumulated for prior taxable years beginning after December 31, 1962 (see regs. sec. 1.970–1(c)(2)(ii)) ..... _____
4. Limitation under section 970(b) (see regs. sec. 1.970–1(c)(2)(i)):
   (a) Pro rata share of the sum of the amounts by which subpart F income for prior taxable years was reduced under section 970(a) ..... _____
   (b) Pro rata share of the sum of the amounts which were not included in subpart F income for prior taxable years by reason of section 972 ..... _____
   (c) Total of lines 4(a) and 4(b) ..... _____
   (d) Less. Pro rata share of the sum of the amounts which were previously included in your gross income for prior taxable years under section 951(a)(1)(A)(ii) by reason of section 970(b) ..... _____
5. Line 4(c) less line 4(d) ..... _____
6. Enter the smallest of line 2, 3, or 5 ..... _____
7. Part of year corporation was a controlled foreign corporation over entire year times line 6, i.e. $\left(\frac{\text{days}}{365} \times \text{line 6}\right)$. Enter here and on line 4, Schedule A ..... _____

Answer to Item E, Page 1: Corporation was representing the interest of Hirsch & Co. in Austria, transmitting orders for purchase and sale of securities from customers resident in Austria, providing quotations, information and other services for customers in Austria, and furnishing Hirsch & Co. with financial and commercial information relating to security markets in Austria.

## SCHEDULE H—RECONCILIATION OF BOOK PROFITS TO EARNINGS AND PROFITS (See instruction I)

Is the section of the Code under which earnings and profits are being determined—

Section 902 ☐ Section 963 ☐ Section 964 ☐

| | NET ADDITIONS | NET SUBTRACTIONS | |
|---|---|---|---|
| Profit (loss) for the taxable year per books of account (before reduction for any income, war profits, and excess profits taxes) | | | |
| Net adjustments to book profit in determining earnings and profits for U.S. tax purposes. Enter only a net addition or net subtraction for each item. No adjustment is required to be shown unless it is material in amount: | | | |
| (a) Capital gains or losses | | | |
| (b) Depreciation | | | |
| (c) Depletion | | | |
| (d) Investment or incentive allowance | | | |
| (e) Charges to statutory reserves | | | |
| (f) Inventory valuation adjustments | | | |
| (g) Other (exclude income, war profits, and excess profits taxes) | | | |
| Total net additions | | | |
| Total net subtractions | | | |
| Line 1 plus line 3 less line 4 | | | |
| Unrealized exchange gain (loss) under section 964(a) (omit if earnings and profits are not computed under section 964(a)) | | | |
| Earnings and profits for the taxable year (before reduction for any income, war profits, and excess profits taxes) (total of lines 5 and 6) | | | |

Total income, war profits, and excess profits taxes paid or accrued on or with respect to earnings and profits shown on line 7:

| COUNTRY TO WHICH PAID | AMOUNT | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | U.S. dollars |
| | | | |
| | | | |
| | | | |
| | | | |
| Total | | | |
| Earnings and profits (after reduction for any income, war profits, and excess profits taxes) (line 7 less line 8) | | | |

If earnings and profits are computed other than under the rules of section 954(a), specify the exchange rate(s) used to convert amounts to U.S. dollars and the foreign currency so converted (attach schedule if necessary):

(a) Foreign currency

(b) Rate of exchange

Was the foreign corporation included in a minimum distribution election under section 963? Yes ☐ No ☐. If "No," omit (a) through (e):

(a) Amount of distributions received by such corporation from other corporations included in such election

(b) Amount of income, war profits, and excess profits taxes paid by such corporation by reason of the receipt of such distributions (excluding withholding taxes)

(c) Amount of withholding taxes borne by such corporation by reason of the receipt of such distributions

(d) Total of lines (b) and (c)

(e) Exchange rate(s) used for purposes of (a), (b), and (c)

U.S. GOVERNMENT PRINTING OFFICE : 1965 —O—215-714

Form 4683
(December 1970)
Department of the Treasury
Internal Revenue Service

# U.S. Information Return on Foreign Bank, Securities, and Other Financial Accounts

Attach to your tax return.

For the calendar year 19 70 or other taxable year beginning ....., 19....., and ending ....., 19.....

Complete this form showing your relationship during the taxable year to one or more bank, securities or other financial accounts in foreign countries. Use additional sheets if necessary.

| Name(s) as shown on return | Tax identifying number (Social security number or employer identification number if other than individual) | Check type of return |
|---|---|---|
| Hirsch & Co. in Liquidation | 13-5511509 | ☐ Individual<br>☒ Partnership<br>☐ Corporation<br>☐ Small business corporation<br>☐ Fiduciary |

NOTE: Ownership of 50% or less of the stock of any corporation which owns one or more foreign accounts is not a "financial interest" in these accounts and need not be reported by the shareholder. Accounts in a U.S. military banking facility operated by a U.S. financial institution are not foreign accounts and need not be reported.

If you wish, you may also submit any other information or explanation not required by this form concerning your interest in or authority over an account.

**Part I** Check all appropriate boxes. See instruction F for definition of "financial interest." Use additional sheets if necessary.

1. ☐ I had signature authority or other authority over one or more foreign accounts, but I had no "financial interest" in such accounts (see instruction I). Indicate for these accounts:
   Name and tax identifying number (if any) of each owner .....
   Address of each owner .....
   (Do not complete Part II for these accounts.)

2. ☐ I had a "financial interest" in one or more foreign accounts, but the total maximum value of these accounts (see instruction H) did not exceed $10,000 at any time during the taxable year. (If you checked this box, do not complete Part II.)

3. ☐ I had a "financial interest" in 25 or more foreign accounts. (If you checked this box, do not complete Part II.)

4. ☒ I had a "financial interest" in one or more but less than 25 foreign accounts, and the total maximum value of these accounts (see instruction H) exceeded $10,000 during the taxable year. (If you checked this box, complete Part II.)

**Part II** Complete this part ONLY if you checked item 4 and only for each account identified in item 4. Use a separate form for each account or your own schedule to provide the required information. To avoid duplicate reporting with respect to accounts owned by a corporation, partnership or trust which is required to file this form, you may follow the procedure in instruction J by checking this box ☐ and completing the statement on the back of this form.

| 5. Name in which account is maintained | 6. Name of bank or other person with whom account is maintained |
|---|---|
| See Statement attached | |
| **7. Number and other account designation, if any** | **8. Address of office or branch where account is maintained** |
| | |

9. Type of account. (If not certain of English name for the type of account, give the foreign language name and describe the nature of the account. Attach additional sheets if necessary.)
   ☐ Savings, demand, or checking ☐ Securities ☐ Other (specify) .....

10. Maximum value of account (see instruction H)
    ☐ Under $50,000 ☐ $50,000 to $100,000 ☐ Over $100,000 ☐ Unable to determine (attach explanation)

## Instructions

A. Who Must File a Return.—Each United States person who has a financial interest in or signature authority or other authority over a bank, securities, or other financial account in a foreign country at any time during a taxable year beginning on or after January 1, 1970, must report that relationship for each taxable year. Do this by checking the appropriate box on the Form 1040, 1041, 1065, 1120, 1120L, 1120M, or 1120S you file for the taxable year and by filing with that return an information return on Form 4683 for that year.

B. United States Person.—The term "United States person" means (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) a domestic estate or trust.

C. Account in a Foreign Country.—A "foreign country" includes all geographical areas located outside the United States, its possessions, and Puerto Rico.

Report any account maintained with a branch, agency, or other office of a bank (except a military banking facility as defined in instruction D) or broker or dealer in securities that is located in a foreign country, even if it is a part of a United States bank or other institution. Do not report any account maintained with a branch, agency, or other office of a foreign bank or other institution that is located in the United States, its possessions, or Puerto Rico.

D. Military Banking Facility.—Do not consider as an account in a foreign country an account in an institution known as a "United States military banking facility" (or "United States military finance facility") operated by a United States financial institution un-

(Continued on back)

der designation by the United States Treasury to serve U.S. Government installations abroad, even if the United States military banking facility is located in a foreign country.

**E. Bank, Securities, or Other Financial Account.**—The term "bank account" means a savings, demand, checking, deposit, loan, or any other account maintained with a person engaged in the business of banking. It includes certificates of deposit.

The term "securities account" means an account maintained with a person who buys, sells, holds, or trades stock or other securities for the benefit of another.

The term "other financial account" means any other account maintained with any person who accepts deposits, exchanges or transmits funds, or acts as a broker or dealer for future transactions in any commodity on (or subject to the rules of) a commodity exchange or association.

**F. Financial Interest.**—A financial interest in a bank, securities, or other financial account in a foreign country means an interest described in either of the following two paragraphs:

(1) A United States person has a financial interest in each account for which he is the owner of record or has legal title, whether the account is maintained for such person's own benefit or for the benefit of others including non-United States persons. If an account is maintained in the name of two persons jointly, or if several persons each own a partial interest in an account, each of those United States persons has a financial interest in that account.

(2) A United States person has a financial interest in each bank, securities, or other financial account in a foreign country for which the owner of record or holder of legal title is: (a) a person acting as an agent, nominee, attorney, or in some other capacity on behalf of the U.S. person; (b) a corporation in which the United States person owns directly or indirectly more than 50 percent of the voting stock or more than 50 percent of the total value of shares of stock; (c) a partnership in which the United States person owns an interest in more than 50 percent of the profits (distributive share of income); or (d) a trust in which the United States person either has a present beneficial interest in more than 50 percent of the assets, or from which such person receives more than 50 percent of the current income.

**G. Signature or Other Authority Over an Account.**—

*Signature Authority.*—A person has signature authority over an account if he can control the disposition of money or other property in it by delivery of a document containing his signature (or his signature and that of one or more other persons) to the bank or other person with whom the account is maintained.

*Other authority* exists in a person who can exercise comparable power over an account by direct communication to the bank or other person with whom the account is maintained, either orally or by some other means.

**H. Account Valuation.**—For items 2, 4, and 10, the maximum value of an account is the largest amount of currency and non-monetary assets that appears on any quarterly or more frequent account statement issued for the applicable taxable year. If periodic account statements are not so issued, the maximum account asset value is the largest amount of currency and non-monetary assets in the account at any time during the taxable year. Convert foreign currency by using the official exchange rate at the end of the taxable year. In valuing currency of a country that uses multiple exchange rates, use the rate which would apply if the currency in the account were converted into United States dollars at the close of the taxable year.

The value of stock, other securities or other non-monetary assets in an account reported on Form 4683 is the fair market value at the end of the taxable year, or if withdrawn from the account, at the time of withdrawal.

For purposes of items 2 and 4, if you had a financial interest in more than one account, each account is to be valued separately in accordance with the foregoing two paragraphs.

If you had a financial interest in one or more but less than 25 accounts, and you are unable to determine whether the maximum value of these accounts exceeded $10,000 at any time during the taxable year, check item 4 (do not check item 2) and complete Part II for each of these accounts.

**I. United States Persons with Only Authority Over but No Interest in an Account.**—Except as provided in the following paragraph, you must state the name, address, and tax identifying number (if any) of each owner of an account over which you had authority, but if you check item 1 for more than one account of the same owner, you need identify the owner only once.

If you check item 1 for one or more accounts in which no United States person had a financial interest, you may state on the first line of this item, in lieu of supplying information about the owner, "No U.S. person had any financial interest in the foreign accounts." This statement must be based upon the actual belief of the person filing this form after he has taken reasonable measures to ensure its correctness.

If you check item 1 for accounts owned by a domestic corporation and its domestic and/or foreign subsidiaries, you may treat them as one owner and write in the space provided, the name of the parent corporation, followed by "and related entities," and the tax identifying number and address of the parent corporation.

**J. Avoiding Duplicate Reporting.**—If you had a financial interest (as defined in instruction F(2)(b), (c) or (d)) in one or more accounts identified in item 4 which are owned by a domestic corporation, partnership or trust which is required to file Form 4683 with respect to these accounts, in lieu of completing items 5 through 10 for each such account you may check the box in the introduction to Part II and fill in the statement below.

**K. Providing Additional Information.**—Any person checking one or more boxes of Part I of this form, when requested by the Internal Revenue Service, shall provide information concerning each account reported in Part I that is necessary to determine such person's Federal income tax liability.

**L. Penalties.**—For criminal penalties for failure to file a return or to supply information, and for filing a false or fraudulent return, see sections 7203 and 7206 of the Internal Revenue Code.

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**Statement (Pursuant to Instruction J) Relating to a "Financial Interest" in Foreign Accounts Owned by a Domestic Corporation, Partnership or Trust**

I had a "financial interest" in one or more foreign accounts owned by a domestic corporation, partnership or trust which is required to file Form 4683.

Name and tax identifying number of each such corporation, partnership or trust .....

Address of each such corporation, partnership or trust .....

(Do not complete items 5 through 10 on the front of this form for these accounts.)

HIRSCH & CO. IN LIQUIDATION

ANSWERS TO QUESTIONS 5-10 OF PART II,
CALENDAR YEAR 1970

Glyn Mills & Co.*
London, England

Manufacturers Hanover*
London, England

Morgan Guaranty External*
London, England

Morgan Special Account*
London, England

Union Bank of Switzerland*
Geneva, Switzerland

Kas Assoc. "K" Account*
Amsterdam, Holland

Kas Assoc. "T" Account*
Amsterdam, Holland

Dresdner Bank*
Frankfurt, Germany

Deutsche Bank Account*
81-0078-4
Frankfurt, Germany

Hirsch & Co. G.m.b.h.
Scholler & Co.
Vienna, Austria

Hirsch & Co. S.A.R.L.
Morgan Guaranty
Paris, France

* Maintained by Hirsch & Co.

All accounts are demand deposit accounts and the combined maximum value of these accounts is under $50,000.

H+S V

LOSSES SUSTAINED BY PLAINTIFFS
AS GENERAL PARTNERS OF HIRSCH & CO.
(per partnership 1969 and
1970 Fed. income tax returns)

| | 1969 | | 1970 | | Total 1969-1970 | |
|---|---|---|---|---|---|---|
| | Ordinary Loss | Net Loss From Self-Employment* | Ordinary Loss | Net Loss From Self-Employment* | Ordinary Loss | Net Loss From Self-Employment* |
| Hirsch & Co. | 2,777,726.87 | 1,926,435.24 | 1,300,970.03 | 911,785.24 | 4,078,696.90 | 2,838,220.48 |
| Kohns | 445,678.06 | 373,863.02 | 252,305.26 | 237,649.98 | 697,983.32 | 611,513.00 |
| Mundheim | 333,736.52 | 278,723.18 | 189,981.96 | 177,669.34 | 557,479.48 | 456,392.52 |
| Hirsch | 239,366.38 | 181,895.39 | 102,014.05 | 86,710.69 | 341,380.43 | 268,606.08 |
| Total Plaintiffs | 1,018,780.96 | 834,481.59 | 544,301.27 | 502,030.01 | 1,596,843.23 | 1,336,511.60 |

* Ordinary loss less salaries and interest received

Deft. H&S Ex. V
p. 869a

Deft. H&S Ex. W
p. 87a

FRANCIS I. duPONT & CO.

STATEMENT OF FINANCIAL CONDITION
APRIL 30, 1970

## ASSETS

| | | |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash in banks and on hand | $ 35,046,000 | |
| Clearing funds and similar deposits | 1,092,000 | |
| Deposits on account of securities borrowed | 3,728,000 | |
| Receivable from other brokers or dealers | 12,0[illegible],000 | |
| Receivable from customers | 174,428,000 | |
| Securities owned - at market value: | | |
| United States Government Securities | 110,473,000 | |
| State and municipal securities | 5,195,000 | |
| Corporate securities | 14,219,000 | |
| Securities contributed as capital - at market value | 19,696,000 | |
| Demand notes of partners contributed as capital-collateralized by cash and securities | 29,890,000 | |
| Commissions receivable | 1,135,000 | |
| Miscellaneous current assets | 4,044,000 | |
| Total current assets | | $41[illegible],032,000 |
| **OTHER ASSETS:** | | |
| Memberships in exchanges - at market value | 3,440,000 | |
| Leasehold improvements (depreciated value) | 2,609,000 | |
| Prepaid expenses | 660,000 | |
| Investments in subsidiaries (at cost) | 1,960,000 | |
| Miscellaneous | 4,630,000 | |
| TOTAL | | $124,351,000 |

## LIABILITIES AND CAPITAL FUNDS

| | | |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Money borrowed on securities | | $206,[illegible],000 |
| Repurchase agreements - Government Securities | | 49,255,000 |
| Deposits on account of securities loaned | | 15,[illegible]12,000 |
| Payable to other brokers or dealers | | 20,5[illegible]7,000 |
| Payable to customers | | 40,750,000 |
| Securities sold but not yet purchased - at market value | | 21,[illegible]50,000 |
| Dividends and interest payable and unclaimed | | 5,[illegible]06,000 |
| Taxes payable and accrued | | [illegible]50,000 |
| Commissions payable | | 862,000 |
| Miscellaneous current liabilities | | 5,[illegible]13,000 |
| Total current liabilities | | $364,[illegible]75,000 |
| **CAPITAL FUNDS:** | | |
| Borrowings under subordination agreements | $12,901,000 | |
| Net Worth | 46,775,000 | |
| Total capital funds | | 59,[illegible]76,000 |
| TOTAL | | $124,[illegible]51,000 |

CC: Sneden 7/17/70
Hsh file

PLF. DEPT. 243 EX. 6
WIT.
DATE

PLF. #45 DEPT. Barnhill EX. 20
WIT.
DATE 5-25-71

BAR ASSN. REPORTING SERVICE

OFFICE COPY

Pl. Ex. 1. pp. 871a-903a
p. 871a

THIS AGREEMENT, made as of July 2, 1970 by and among FRANCIS I. duPONT & CO. ("duPont"), a New York limited partnership with offices at 1 Wall Street, New York, N.Y., and HIRSCH & CO. ("Hirsch"), a dissolved New York limited partnership in liquidation, with offices at 25 Broad Street, New York, N.Y., by its Liquidating Committee ("Hirsch Liquidating Committee"), and the General Partners of Hirsch who sign this Agreement ("Hirsch General Partners"), and the Limited Partners of Hirsch who sign this Agreement ("Hirsch Limited Partners"), and the Subordinated Lenders to Hirsch who sign this Agreement ("Hirsch Subordinated Lenders"),

W I T N E S S E T H :

WHEREAS, on July 2, 1970 Hirsch was dissolved under the terms of the partnership agreement of Hirsch and the Hirsch Liquidating Committee was appointed pursuant to said partnership agreement; and

WHEREAS, thereafter on July 2, 1970 (the "Closing Date") duPont is purchasing and acquiring certain of the assets of Hirsch and assuming certain of the liabilities of Hirsch, all on the terms and conditions set forth, and the Hirsch General Partners, the Hirsch Limited Partners and the

HeS 6

4/1/74 PGH

PLF. EX. 1
WIT.
DATE
FOR ID

Hirsch Subordinated Lenders are becoming members of duPont and/or subordinated lenders to duPont,

NOW, THEREFORE, in consideration of the representations, warranties and covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Representations of Hirsch General Partners and the Hirsch Liquidating Committee. The Hirsch General Partners and the Hirsch Liquidating Committee jointly and severally represent and warrant that:

(a) Interest of Hirsch General Partners. Under the terms of the partnership agreement of Hirsch, the Hirsch General Partners are together entitled to not less than 60% of the profits of Hirsch.

(b) Authority Relating to this Agreement. General Partners of Hirsch who together are entitled to not less than 60% of the profits of Hirsch, in accordance with the terms of the partnership agreement of Hirsch, authorized, consented to and gave notice of the dissolution of Hirsch effective immediately prior to the close of business on July 2,

1970, and said General Partners of Hirsch duly appointed the Hirsch Liquidating Committee with all of the powers, rights and duties which are granted to, authorized by, or imposed upon such Liquidating Committee under the partnership agreement of Hirsch and by operation of law, which powers and rights include the power and right to sell, assign and transfer assets of Hirsch in accordance with the terms of this Agreement.

(c) Balance Sheet. The balance sheet of Hirsch as of April 26, 1970 which has been delivered to duPont is believed fairly to reflect the financial condition of Hirsch as of such date determined in accordance with generally accepted accounting principles.

(d) Leases. All leases of real property to which Hirsch and Hirsch & Co., Incorporated are parties, of which the Hirsch Liquidating Committee has knowledge, are listed in a Schedule annexed hereto.

(e) Employment and Service Agreements, etc. The information concerning employment, consultation,

retirement, service and like agreements to which Hirsch and Hirsch & Co., Incorporated are parties, which has from time to time been furnished to duPont, is believed to be accurate although incomplete.

(f) Litigation. There is no action, litigation, suit, claim, proceeding or governmental investigation pending or threatened against the properties or affecting the properties of Hirsch or Hirsch & Co., Incorporated or against the transactions contemplated by this Agreement, of which the Hirsch Liquidating Committee has knowledge, except as referred to in the Hirsch Balance Sheet (as defined in Section 4) or as listed in a Schedule annexed hereto. Hirsch is not a party to or subject to the provisions of any order, decree or judgment of any court or governmental agency, of which the Hirsch Liquidating Committee has knowledge, except as referred to in said Hirsch Balance Sheet or as listed in a Schedule annexed hereto.

(g) Purpose of Representations. The representations contained in this Section 1 are made solely for the purpose of attempting to inform duPont of various aspects of Hirsch's business, including certain of

its obligations and liabilities; and no liability shall be imposed on any of the Hirsch General Partners or the Hirsch Liquidating Committee by reason of any omission in any of the schedules referred to in this Section 1.

2. Representations of duPont. duPont represents and warrants that:

(a) Organization and Existence. duPont is and on the Closing Date will be a limited partnership duly organized and validly existing under the laws of the State of New York, with full power and authority to transact the business in which it is engaged.

(b) Authority Relating to this Agreement. The execution and delivery of this Agreement by duPont has been duly and validly authorized.

(c) Balance Sheet. A balance sheet of duPont as of April 30, 1970 which has been delivered to Hirsch is believed fairly to reflect the financial condition of duPont as of such date determined in accordance with generally accepted accounting principles.

(d) Units. The total number of Units of general capital of duPont outstanding immediately prior to the Closing Date consists of 9,210 Units of which 1,000 are Voting Units and 8,210 are Non-Voting Units. An aggregate of 4,589 additional Units of general capital of duPont will be issued at the Closing Date or reserved for subsequent issue to certain stockholders of Glore Forgan, Staats Incorporated ("Glore") pursuant to an agreement between duPont and the Glore stockholders, a copy of which is annexed hereto.

(e) Glore Stock. duPont has acquired not less than 66-2/3% of the issued and outstanding common stock of Glore on the terms and conditions provided in the annexed agreement relating to such acquisition.

3. Sale and Purchase. On the Closing Date:

(a) Transfer of Hirsch Assets.

(i). Except for the assets and properties excluded as provided in subparagraph (ii) below Hirsch, acting through the Hirsch Liquidating Committee, shall and hereby does

convey, assign, transfer and deliver to duPont all of the assets and the properties of Hirsch.

(ii) The following assets and properties of Hirsch are excluded and shall not be conveyed, assigned, transferred or delivered to duPont:

a. Cash other than petty cash and other than the amount of cash, if any, as the Hirsch Liquidating Committee may determine should be transferred.

b. Securities of all kinds owned by Hirsch and partners of Hirsch (other than stock of Hirsch & Co. S.A.R.L., of Hirsch & Co. G.m.B.h., and of Hirsch & Co. Incorporated) and securities borrowed under subordination agreements described in Hirsch Assembly Sheets as U.S. Government bonds, municipal bonds, and other securities.

c. Miscellaneous assets described in Hirsch Assembly Sheets as tax refunds from partners.

d. Other assets described in Hirsch Assembly Sheets as Memberships in Exchanges other than Memberships in the New York Cocoa Exchange, New York Mercantile Exchange and Na[illegible]nal Stock Exchange.

e. Sundry assets described in Hirsch Assembly Sheets as "partners' non-subordinated", and the shares of Wall Street Information Services, Inc.

f. The consideration being delivered by duPont to Hirsch pursuant to this Agreement.

g. Any additional assets and properties which may be listed by the Hirsch Liquidating Committee on a Schedule annexed hereto.

(iii) duPont shall be and hereby is given all rights Hirsch may have to use the name "Hirsch", "Hirsch & Co." and variations thereof such as Hirsch & Co. S.A. in connection with the brokerage and investment business anywhere in the world. duPont shall receive the possession of the books and records of Hirsch, except any which may be listed by the Hirsch Liquidatin Committee in a Schedule annexed hereto, and exce

that the Hirsch Liquidating Committee or any successor or representative of the Hirsch Liquidating Committee shall be entitled to inspect and make copies of such books and records at such times as it deems necessary.

(iv) On July 3, 1970 the stockholders of Hirsch & Co. S.A., a Panamanian corporation, are to receive checks from that corporation representing the first distribution in liquidation of that corporation. On the same day such stockholders who are parties to this Agreement will deliver their personal checks to duPont for an amount equal to and payable out of the sum which each such stockholder received from Hirsch & Co. S.A., provided however that no such stockholder is required to deliver an amount more than his agreed capital contribution or subordinated loan to duPont under this Agreement. If any such stockholder delivers to duPont a check for an amount in excess of his agreed capital

contribution or subordinated loan to duPont under this Agreement, such excess shall be considered as having been first delivered to Hirsch as a credit to such person's capital account with Hirsch and as thereafter being delivered by Hirsch to duPont pursuant to subparagraph (i) above.

(b) Assumption of Liabilities.

(i) Except for the debts, obligations and liabilities excluded in subparagraph (ii) below, duPont shall and does hereby assume and agree to pay, perform and discharge all of the debts, obligations and liabilities of Hirsch of every kind whatsoever, whether now existing or hereafter arising and whether absolute or contingent.

(ii) duPont shall not assume and shall not be required to pay, perform or discharge the following debts, obligations and liabilities of Hirsch:-

a. Any debt, obligation or liability not reflected in or referred to as a debt, obligation or liability in the Hirsch

Balance Sheet which is asserted on or before December 31, 1971 and which exceeds $25,000 with respect to either a single matter or a single customer. This paragraph is intended to apply to the described category of debts, obligations or liabilities which arose out of the operation of Hirsch's business prior to the Closing Date and is not intended to exclude from the debts, obligations and liabilities assumed by DuPont those arising under leases, employment agreements, service contracts and the like applicable to any period or periods after the Closing Date or those arising under litigations listed in the Schedule pursuant to Section 1(f) other than the Shelare case (Item C 5) or those arising under any legal proceedings against Hirsch relating to Revenue Properties Company Limited Stock,

b. Partners' non-subordinated accounts; dividend taxes withheld; payroll taxes payable including all income taxes withheld from employees; United Kingdom tax.

c. Borrowing under subordination agreements including accrued interest and compensation thereon.

d. General and limited capital accounts including accrued interest and compensation thereon.

e. Any additional debts, obligations or liabilities which may be listed by the Hirsch Liquidating Committee on a Schedule annexed hereto.

(iii) duPont shall use its best efforts to obtain as soon as practicable releases in favor of Hirsch from each of the banks to which Hirsch is indebted as described in the Hirsch Assembly Sheets as money borrowed.

4. Determination of Purchase Price. The purchase price for the assets and properties (including cash, if any) of Hirsch conveyed, assigned, transferred and delivered to duPont shall be the amount by which the value of such assets and properties exceeds the amount of such debts, obligations and liabilities of Hirsch which are required to be assumed by duPont, both determined in accordance with this Section 4. A statement of financial condition of Hirsch as of the Closing Date (the "Hirsch Balance Sheet") will be prepared by Hirsch; Haskins and Sells will perform the procedures outlined in a letter from Haskins & Sells dated June 26, 1970, a copy of which

is annexed as an Exhibit; and Haskins & Sells will render a Letter Report that the net worth of Hirsch as of the Closing Date shown on the Hirsch Balance Sheet is fairly stated on the basis set forth in said letter of June 26, 1970. The value of the assets and properties of Hirsch conveyed, assigned, transferred and delivered to duPont, and the amount of the debts, obligations and liabilities of Hirsch assumed by duPont shall be determined as soon as practicable after the Closing Date by Haskins & Sells solely on the basis of the amounts reflected and reserved for in arriving at net worth in the Hirsch Balance Sheet adjusted by Haskins & Sells if and to the extent necessary in accordance with and subject to the provisions of this Section 4. The determination by Haskins & Sells upon such basis shall not be subject to revision or readjustment for any reason, including without limitation, recoveries, losses, expenses, liabilities or audit, on account of transactions or events before or after the Closing Date, except that duPont shall pay or credit to the Hirsch Liquidating Committee the value of any asset and the amount of any recovery (whenever made) with respect to any claim or other asset ascertained, asserted or found to exist prior to December 31, 1971 and which exceeds $25,000 per item or per customer and which was not reflected or referred to as a claim

or other asset in the Hirsch Balance Sheet. In making such determination Haskins & Sells shall not ascribe any value to accounts of customers; books and records; leases, agreements and other contracts being transferred hereunder; and the Hirsch name or the business of Hirsch, or Hirsch & Co., Incorporated as a going concern, including the good will of such businesses. In making such determination Haskins & Sells shall value furniture and fixtures at the depreciated amount at which such furniture and fixtures are carried on the books as of the Closing Date; securities and memberships being transferred hereunder at the market value thereof at the close of business on the Closing Date; and the shares of Hirsch & Co., Incorporated at book value as adjusted after application of the foregoing rules and a reserve of $175,000 for contingent liabilities. Further, in making such determination, Haskins & Sells shall not ascribe any amount for debts, obligations and liabilities under leases, employment agreements, service contracts, or for any other liabilities of Hirsch required to be assumed by duPont except as accrued to the Closing Date.

5. Manner of Payment of Purchase Price. Promptly after Haskins & Sells has made the determination referred to in Section 4, the purchase price for the assets and properties

to be conveyed, assigned, transferred and delivered to duPont hereunder shall be paid as follows:

(a) By duPont retaining an amount equal to the respective amounts of the general capital contributions, additional general capital contributions, limited capital contributions or subordinated loans, of the persons affiliated with Hirsch who on the Closing Date became general or limited (which shall include special) partners of or subordinated lenders to duPont, or both, reduced by the amounts of any cash or other properties which were paid or delivered directly to duPont pursuant to Section 3(a)(iv) or otherwise for credit to the agreed capital contributions or subordinated loans of such persons, which net amount so retained shall be appropriately credited as of the Closing Date to such persons as the total amount or the balance of, as the case may be, their respective capital contributions and subordinated loans. The total amounts of such general and limited capital contributions shall be as set forth in the duPont Articles as amended, effective as of the Closing Date, and the amounts of the additional capital contributions of general partners and the amounts of such subordinated loans shall be as set forth in a schedule annexed hereto.

(b) By duPont paying to the Hirsch Liquidating Committee, or as such Hirsch Liquidating Committee may direct, the balance of the purchase price, together with interest at

the New York broker's loan rate from the Closing Date to the date of payment. duPont shall have no liabilities to Hirsch or to any of its partners or creditors for making payments in accordance with the instructions of the Hirsch Liquidating Committee.

6. Admission of Hirsch Partners to duPont; Contributions to duPont capital; Compensation.

(a) On the Closing Date the Hirsch General Partners shall be admitted to duPont and shall contribute $1,052,000 of general capital represented by 125 Voting Units and 927 Non-Voting Units. Such general capital shall be in cash or represented by Notes as provided in a schedule annexed hereto. In addition, the Hirsch General Partners, Hirsch Limited Partners, and Hirsch Subordinated Lenders shall contribute or cause to be contributed additional general capital, or limited or special capital or subordinated loan capital in the aggregate amount of not less than $2,948,000. Such additional general capital or limited or special capital or subordinated loan capital of not less than $2,948,000 shall be in cash or in securities, or both. The general, additional general, limited, special and subordinated loan capital if not paid or transferred directly to duPont, shall be effected by

duPont retaining the appropriate amount as provided in Section 5. duPont further agrees to reserve 481 additional Non-Voting Units for subsequent issue to the individuals listed or referred to on a Schedule annexed hereto, and such individuals shall have the right to acquire such Units at $1,000 per Unit up to the number of Units set opposite their names or as otherwise provided on said Schedule. The election hereby given to such individuals must be exercised on or before December 31, 1970 and the Units so acquired shall be deemed acquired as of January 1, 1971. Payment for such additional Units shall be in cash or represented by Notes as duPont may agree or by transfer from any additional general capital, limited capital, special capital or subordinated loan capital which such persons may have in duPont. Any person who acquires such additional Units shall be admitted as a general partner of duPont if he has not theretofore been admitted as a general partner of duPont.

(b) Compensation for additional general cash capital, limited cash capital, and subordinated loan cash capital shall be paid to the persons affiliated with Hirsch who become general, limited, or special partners of, or subordinated lenders to, duPont at the New York prime rate as charged by Chase Manhattan Bank plus 2.5% but not less than 6% per year. The compensation payable on cash capital or any cash loan as

provided in the preceding sentence shall apply to cash originally contributed and to cash substituted for securities where such substitution occurs on or before January 1, 1971, or such later date as may be agreed upon by the Finance Committee. Compensation for capital which is in the form of securities shall be paid at the rate of 5% per year on the capital requirements value of such securities determined under the rules of the New York Stock Exchange.

(c) If securities are contributed or transferred as additional general capital or limited capital or subordinated loan capital, such securities shall have a capital requirements value equivalent to the cash in lieu of which they are being delivered. Securities may be substituted for additional general cash capital or limited cash capital or cash subordinated loan capital on any dates after July 2, 1970, but in such event the securities so substituted shall have a market value equal to the cash for which they are being substituted. Securities initially contributed or thereafter substituted for cash as described in the preceding sentence may be withdrawn upon the deposit of cash equal to the market value of the securities so withdrawn, or such lesser amount as the Finance Committee may authorize.

(d) If duPont has operated at a net loss during the period from the Closing Date to December 31, 1970, then the

share of future profits of any person who elects to acquire additional Units as of January 1, 1971, pursuant to this Section 6, will be reduced by an amount equal to the losses of duPont which he would have borne had he acquired such Units on the Closing Date, and such withheld future profits shall be credited to the Units of duPont which participated in such losses in accordance with their respective interests therein.

(e) The profits and losses of duPont for the periods before and after the Closing Date shall be computed separately and for such purposes adequate reserves and adequate records shall be established as of the Closing Date to reflect and facilitate the identification of any recoveries or losses whenever realized attributable to operations prior to the Closing Date, for example such as those arising out of items described in question categories: 2A, B, C, D, 5, and 7 of the Special Operations Questionnaire of the New York Stock Exchange. Any individual who on July 2, 1970 or thereafter becomes a partner of duPont hereunder will not participate in or be responsible for any losses of duPont of any nature whatsoever realized after the Closing Date arising out of the operation of duPont's business prior to the Closing Date, nor will he participate in any recoveries realized with respect thereto after the Closing Date. All such losses and recoveries will be borne entirely by, inure to the benefit of,

and be the responsibility of the general partners of duPont as they existed immediately prior to the Closing Date.

7. Compensation Arrangements Relating to Hirsch Personnel. The following provisions shall apply with respect to compensation payable to the Hirsch General Partners, Hirsch Limited Partners and employees of Hirsch effective upon the Closing Date:

(a) Certain Partners. In consideration of their respective covenants not to engage in the brokerage business in competition with duPont or any of its subsidiaries in geographical areas in which duPont or any of its subsidiaries now or hereafter engages in the brokerage business, each of Messrs. Howard C. Hirsch, Paul L. Kohns and Marshall S. Mundheim shall receive from duPont annual payments of $25,000 for life, the payment to Mr. Hirsch to commence on the Closing Date and the payments to Messrs. Kohns and Mundheim to commence upon their respective retirements as general partners. In the event of the incorporation of the business of duPont, or in the event of a transfer of all or substantially all of the business of duPont, duPont shall cause such corporate or other successor

to offer in writing to make like payments to Messrs. Hirsch, Kohns and Mundheim on condition that they enter into written agreements providing that they will not compete with the successor, such agreements to be substantially similar to this non-competition agreement with duPont, and thereafter duPont shall have no further liability under the preceding sentence. From the Closing Date to their respective retirements from duPont or any successor Messrs. Kohns and Mundheim, each shall receive an annual salary of $36,000 so long as each of them, respectively, is a general partner of duPont, or a holder of the voting stock of any corporate successor. In addition, duPont and the corporate successor shall furnish Mr. Hirsch at its expense with an office appropriate for a senior partner and secretarial services at its principal office in New York City so long as Mr. Hirsch shall desire the same.

(b) Commissions. The Hirsch partners listed in a Schedule annexed who do not become general partners of duPont, but become special or limited partners of duPont shall receive such

compensation for production from acting as registered representatives as duPont customarily pays to its own similarly situated registered representatives, such compensation to be in addition to any interest which such Hirsch partners may receive on account of their capital contributions to duPont.

(c) Additional Payments for Capital. In addition to the compensation and interest which shall be payable on limited capital under the provisions of the duPont Articles as from time to time in effect, each of Mr. Howard C. Hirsch, Mr. Paul L. Kohns and Mr. Marshall S. Mundheim, so long as they remain partners of duPont, shall receive Additional Payments for the use of his limited capital amounting in the aggregate to 2.5% of the net profits of duPont to be allocated as set forth in a separate letter of instructions signed by Messrs. Hirsch, Kohns and Mundheim and delivered on or after the Closing Date. In the event of the total withdrawal of limited capital by any individual then receiving Additional Payments pursuant to this paragraph, such right to Additional Payments may be transferred as directed by a majority in interest in the balance of the Additional Payments of the other such individuals (i) to any of the other of such

individuals and/or (ii) to Robert J. Fraiman, Seymour Katzenstein and Myron Simons, provided the successor contributes limited capital in an amount necessary, if any, to bring the total limited capital contributed by the individuals referred to in this paragraph to not less than $380,000. This right to Additional Payments amounting in the aggregate to 2.5% of the net profits of duPont shall continue so long as the limited capital of the persons who share such Additional Payments totals at least $380,000. If at any time such total shall fall below $380,000 and shall not, after notice, be promptly increased to not less than $380,000, then the aggregate of such Additional Payments shall be reduced to the same proportion of 2.5% as such total of general and limited capital bears to $380,000. In the event duPont acquires the business of any other firm by merger into duPont or otherwise, or participates in any other reorganization or transfer of its business, the rights to receive the Additional Payments measured by net profits referred to in this paragraph shall not be reduced or modified except to the same extent and on the same terms and conditions as the rights of other persons who are receiving

Additional Payments measured by net profits are reduced or modified. Until incorporation, no action shall be taken by duPont to force withdrawal of the limited capital referred to in this Section 7(c).

(d) Rights to Purchase duPont Stock. In the event that the business of duPont is incorporated, the persons entitled to receive Additional Payments under Section 7(c) shall have the right (pro rata in accordance with the amounts of their respective Additional Payments at the time of exercise) exercisable at any time between the date of incorporation and the effective date, if ever, when duPont shall offer to sell to the public shares of the capital stock of the corporation which is the successor of its business, to buy all or any part of such percentage of the capital stock of duPont to be issued and outstanding upon the completion of such offer as equals the percentage of profits used in computing the Additional Payments to which such persons are then entitled under Section 7(c). The capital stock which such persons may purchase shall be of the same class as that offered to duPont General Partners at the time of incorporation, and the price at which such persons

may purchase such capital stock of duPont upon its incorporation shall be the same price as that paid by the General Partners of duPont, except that if the right to purchase such capital stock is exercised after the initial subscription upon such incorporation the purchase price shall be equivalent to the book value of such capital stock determined as of the date of purchase. If the above described Hirsch partners who are limited partners of duPont at the time of its incorporation at their several election transfer all or part of their capital to the new corporation in the form of subordinated capital, then so long as such subordinated capital remains with the new corporation, the Additional Payments referred to in Section 7(c) shall continue after such incorporation of duPont and shall be equivalent to 2.5% (or such other percentage determined under Section 7(c)) of net income before such Additional Payments (after taxes computed on net income after such Additional Payments) of the corporation which succeeds to the business of duPont and shall continue until the earlier of (i) the date on which the offer by duPont (incorporated) to sell to the public shares of its capital stock becomes effective or (ii) the exercise of the right by the persons referred to in

this Section 7(d) to purchase part of the capital stock of duPont (incorporated). After the incorporation of duPont and until the right to Additional Payments ceases as provided in the preceding sentence, the right of any person to share in such 2.5% of the net income of the new corporation may be transferred to any of the individuals to whom the equivalent right could have been transferred pursuant to Section 7(c), and such transferees shall have the pro rata right to purchase stock of the corporation in the same manner as his predecessor in interest.

(e) Other Partners. Salaries to other general partners upon their admission to duPont shall be as listed on a Schedule annexed hereto.

8. Customer Accounts. On the Closing Date duPont shall transfer to its books all of the customers' accounts, including securities, maintained by Hirsch on its books at the close of business on the Closing Date but excluding accounts which the customers have directed should not be transferred, and subordinated and discretionary accounts in which no written authorization for such transfers to duPont have been received. In connection with the liquidation of any account duPont is hereby authorized to bring suit or take such other

action as may be required in the name of Hirsch. The Hirsch General Partners shall use their best efforts to assure that all customers of Hirsch become customers of duPont.

9. Covenant Not to Compete. Each of the Hirsch General Partners and Hirsch Limited Partners agrees not to enter into competition with duPont in the brokerage or investment business under the name of "Hirsch & Co.".

10. Expenses. duPont shall assume all costs relating to the transfer and assumption of assets and liabilities hereunder, including the costs of transferring customer accounts and securities and the costs of liquidating any assets, equipment, leases or other property of Hirsch transferred hereunder (including any liabilities or claims resulting from the failure to obtain consents of customers to the transfer of their securities and their accounts, margin or otherwise, to duPont, and from the failure to obtain consents of landlords and others to the transfer of leases). duPont shall pay to the Hirsch Liquidating Committee, or as it may direct, any sales tax that may be payable with respect to the properties sold. Hirsch and duPont shall in all other respects be responsible for their respective accounting and legal expenses pertaining to the transactions contemplated hereby.

11. Transfer of Partnership Interests. If any Hirsch General Partner who becomes a general partner of duPont

dies, retires or for any other reason ceases to be such general partner prior to December 31, 1971, his Units shall be retired or allocated by a committee consisting of Mr. Paul L. Kohns, Mr. Marshall S. Mundheim and Mr. Robert J. Fraiman to and purchased (at the price of $1,000 per Unit) by one or more of the remaining Hirsch General Partners as such committee may determine with the approval of duPont, which approval shall not be unreasonably withheld.

12. Withdrawal. Any Hirsch General Partner or Hirsch Limited Partner or Hirsch Subordinated Lender who becomes a general or limited partner of or Subordinated Lender to duPont, by notice given to the Executive Committee not later than December 21, 1970, may retire from the partnership or withdraw his subordinated loan, effective at the end of business on December 31, 1970, and the amount of his general capital, additional general capital, limited capital, and subordinated loan capital shall be paid to him on January 2, 1971 provided no notice has been received by duPont from the New York Stock Exchange prior to the close of business on December 31, 1970 which either prohibits such repayment and all other repayments of capital at or about the same time or notifies duPont that such repayments would be in violation of any rule of the New York Stock Exchange, and further, any such payment to a retiring partner on January 2, 1971 shall

be subject to the withholding of such reasonable reserves for his share of losses, if any, as the Finance Committee may determine, and the balance of the value of his interest shall be determined and paid as promptly thereafter as practicable together with interest thereon at the prime rate then charged by The Chase Manhattan Bank. Nothing in this Section 12 shall be deemed to be in derogation of or in any way to diminish the rights which any such general or limited partner would otherwise have in the absence of the provisions of this Section 12.

13. Indemnification. duPont shall and does hereby indemnify and hold harmless the Hirsch Liquidating Committee, Hirsch and everyone who is or was a partner of Hirsch from and against any losses, damages and expenses arising from or growing out of any liabilities or claims against Hirsch, or any of its partners, or the Hirsch Liquidating Committee, now or hereafter existing which duPont has assumed under this Agreement.

14. Miscellaneous. Consummation of this Agreement is conditioned upon the prior or simultaneous closing of the transaction contemplated by the attached agreement with Glore and the continuation of the business of the partnership under the firm name of F. I. duPont, Glore Forgan & Co. All reference

herein to duPont shall be deemed to refer to and include the partnership under its new name. This Agreement may be amended only by a writing signed by all the parties. This Agreement is to be construed and governed in accordance with the laws of the State of New York.

15. Binding Effect of Agreement. This Agreement shall be enforceable and binding upon the heirs, executors, successors and assigns of the parties hereto. Where any of the provisions of this Agreement are or should be found to be in conflict with the duPont Articles of Partnership or any subordinated loan agreement entered into pursuant to this Agreement then the provisions of this Agreement shall prevail.

16. Arbitration. Anything herein contained to the contrary notwithstanding any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Constitution and Rules of the New York Stock Exchange, and if for any reason such arbitration proceedings cannot be held then any controversy or claim arising out of or relating to this Agreement, or any breach hereof, shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and such arbitration shall be held in the City and State of New York. Judgment upon the award rendered in either such arbitration may be entered in any court having jurisdiction thereof.

17. Further Assurances. Each of the parties hereto hereby agrees to execute and deliver such instruments, certificates, undertakings and other documents as may be necessary or desirable to perfect, further and carry out the conveyances, assumptions and other transactions contemplated by this Agreement and to do all further acts and things necessary or desirable to that end.

18. Counterparts. This Agreement may be executed in any number of counterparts.

IN WITNESS WHEREOF the undersigned have hereunto set their hands as of the day and year first above written.

FRANCIS I, duPONT & CO.
by the following General Partne
constituting a majority in inte

HIRSCH & CO.
A dissolved partnership in
liquidation by its
Liquidating Committee

HIRSCH GENERAL PARTNERS

HIRSH LIMITED PARTNERS

903a

E. Rees

Daniel J. Pierce

Arthur A. Shaffer

Milton C. Altenburger

Elsbeth Hollander

Florence B. Reichenberg

HIRSCH SUBORDINATED LENDERS

Pl. Ex. 4 p. 904a-905a
p. 904a

Marshall S. Mandhoim
184 East 64th Street
New York, N. Y. 10021

December 3, 1970

F.I.duPont, Glore Forgan & Co.
1 Wall Street
New York, N.Y. 10005

Attention: Executive Committee (Executive Policy Committee) and Finance Committee

Gentlemen:

As you know, I have been considering changing my status in F.I.duPont, Glore Forgan & Co. for 1971 which required my so advising you not later than December 21, 1970 but now in view of the new developments it seems to me only proper not to delay this notification so that you will be able to make your plans accordingly.

I therefore write to advise that I desire to retire completely as a general and limited partner of your firm effective at the end of business on December 31, 1970, and to be paid $900,000.- on January 2, 1971 and I am hereby giving you notice to such effect pursuant to paragraph 12 of the Agreement between Francis I.duPont & Co. and Hirsch & Co. dated as of July 2, 1970.

I am agreeable to continue as a limited partner to the extent of $50,000 and call your attention to paragraphs 7(c) and (d) of the Agreement between Francis I. duPont & Co. and Hirsch & Co. dated as of July 2, 1970 which provide that if the

Pl. Ex. 4 FOR ID

Orig. - Mail File

duPont business is incorporated Messrs. Hirsch, Kohns and I shall be offered the right to purchase duPont capital stock to preserve the 2-1/2% of the net profits of duPont.

Also, I call your attention to paragraph 7(a) of the duPont Agreement which provides that upon my retirement as a general partner, in consideration of my covenant not to compete with duPont, duPont is to pay me $25,000 a year for life and further, in the event of incorporation, duPont shall cause the corporation to offer in writing to pay me $25,000 a year for life upon condition that I enter into a non-competition agreement.

Would you please keep me advised as to the steps being taken to carry out these agreements?

I sincerely wish all success to the enterprise in its "new" structure.

Sincerely yours,

Marshall C. Mundheim

cc: by hand - Messrs. Edmond duPont
and W.C. Latour
- Messrs. Carter Ledyard & Milburn
Attention: Sheldon Stewart, Esq.
- Messrs. Haskins & Sells
Attention: Mr. Edward J. Lill

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Pl. Ex. 6
pp. 906a-907a
Tr. 906a

6/28/79

AREA CODE 212
753-8800

CABLE ADDRESS
"LOMBARDY-NEW YORK"

Lombardy

111 EAST 56TH STREET
NEW YORK, N.Y. 10022

December 3, 1970

F. I. duPont, Glore Forgan & Co.
1 Wall Street
New York, New York 10005

Attention: Executive Committee (Executive Policy Committee) and Finance Committee

Gentlemen:

I understand that F. I. duPont, Glore Forgan & Co. is considering certain changes and I thought that you should know promptly that it is my desire to retire completely as a limited partner of your firm effective at the end of business on December 31, 1970, and to be paid $400,000 on January 2, 1971, and I am hereby giving you notice to such effect pursuant to paragraph 12 of the Agreement between Francis I. duPont & Co. and Hirsch & Co., dated as of July 2, 1970.

I am agreeable to continue as a limited partner to the extent of $50,000 and call your attention to paragraphs 7(c) and (d) of the Agreement between Francis I. duPont & Co. and Hirsch & Co. dated as of July 2, 1970 which provide that if the duPont business is incorporated Messrs. Kohns, Mundheim and I shall be offered the right to purchase duPont capital stock to preserve the 2-1/2% of the net profits of duPont.

In the light of your plan to incorporate the business of duPont, I also call your attention to paragraph 7(a) of the Agreement between Francis I. duPont & Co. and Hirsch & Co. dated as of July 2, 1970 which provides that, in the event of incorporation, duPont shall cause the corporation to offer in writing to pay me $25,000 a year for life upon condition that I enter into a non-competition agreement.

duPont is presently paying me $25,000 a year pursuant to my non-competition covenant in the above Agreement. duPont and the corporate successor are also

PLF. EX # 6
DEF. FOR ID
WIT.
DATE

Orig. in Hirsch file

to continue to furnish me with an appropriate office and secretarial service.

Please keep me advised as to the steps being taken to carry out these agreements.

I take this occasion to wish the duPont firm every future success.

Sincerely yours,

Howard C. Hirsch

Howard C. Hirsch

HCH:afs

cc: Messrs. Edmond duPont and W. C. Latour
Messrs. Carter, Ledyard & Milburn
Att: Sheldon Stewart, Esq.

REGISTERED MAIL - RETURN RECEIPT REQUESTED

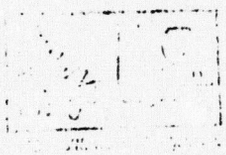
BEST COPY AVAILABLE

Pl. Ex. 27, pp. 908a-914a
p. 908a

[illegible] I. du PONT & CO.

[illegible] TO SPECIAL FINANCIAL QUESTIONNAIRE
[illegible] OF JANUARY 30, 1970

*********



27

UNAUDITED

FRANCIS I. du PONT & CO.

ANSWERS TO SPECIAL FINANCIAL QUESTIONNAIRE AS OF JANUARY 30, 1970
(Form X-17A-5, Part I)

| QUESTION NO. AND TITLE OF ACCOUNT | LEDGER BALANCES DEBIT | LEDGER BALANCES CREDIT | SECURITY VALUATIONS LONG | SECURITY VALUATIONS SHORT, ETC. | COMMODITY CONTRACTS LOSSES | COMMODITY CONTRACTS GAINS |
|---|---|---|---|---|---|---|
| 1. BANK BALANCES AND OTHER DEPOSITS. | | | | | | |
| Cash on hand | $ 17,804 | | | | | |
| Cash on deposit: | | | | | | |
| Subject to immediate withdrawal | 22,293,869 | | | | | |
| Segregated under the Commodity Exchange Act | 4,164,861 | | | | | |
| Contributions to clearing organizations incident to membership | 164,000 | | | | | |
| Deposits as margin on future commodity contracts or segregated under the Commodity Exchange Act: | | | | | | |
| Regulated accounts | 794,292 | | | | | |
| Non-regulated accounts | 676,645 | | | | | |
| Deposits as guaranty on future commodities contracts | 77,500 | | | | | |
| Chicago Board of Trade Clearing Corporation stock (19 shares, allowed value, $73,150) | 67,920 | | | | | |
| Good-faith deposits deposited by Respondent in connection with commitments reported in the answer to Question 15 | 150,000 | | | | | |
| Settlement balances with commodity clearing organizations: | | | | | | |
| Regulated accounts | | $ 123,999 | | | | |
| Non-regulated accounts | 55,862 | | | | | |
| 2. MONEY BORROWED, AND ACCOUNTS CARRIED FOR RESPONDENT BY OTHER BANKING OR BROKERAGE HOUSES, SECURED BY OR CONTAINING CUSTOMERS' COLLATERAL. | | | | | | |
| A. Money borrowed: | | | | | | |
| 1. From banks, trust companies and other financial institutions | | 144,128,402 | | | | |
| B. Accounts carried for Respondent by other banking or brokerage houses, including omnibus accounts: | | | | | | |
| 1. Securities accounts: | | | | | | |
| a. Accounts with net debit balances | 377,036 | | | | | |
| b. Accounts with net credit balances | | 6,040 | | | | |
| 2. Commodities accounts: | | | | | | |
| a. Regulated commodities futures accounts: | | | | | | |
| ii. Accounts liquidating to a deficit | 62,468 | | | | $ 1,022 | $ 3,475 |
| b. Non-regulated commodities futures accounts: | | | | | | 20,953 |
| i. Accounts liquidating to an equity | 598 | | | | 725 | 8,130 |
| ii. Accounts liquidating to a deficit | 749,945 | | | | | |
| FORWARD | $ 29,652,800 | $144,258,441 | | | $ 1,747 | $ 32,558 |

(Continued) - 1.

FRANCIS I. du PONT & CO.
ANSWERS TO SPECIAL FINANCIAL QUESTIONNAIRE, ETC.
AS OF JANUARY 30, 1970

UNAUDITED

| QUESTION NO. AND TITLE OF ACCOUNT | LEDGER BALANCES DEBIT | LEDGER BALANCES CREDIT | SECURITY VALUATIONS LONG | SECURITY VALUATIONS SHORT, ETC. | COMMODITY CONTRACTS LOSSES | COMMODITY CONTRACTS GAINS |
|---|---|---|---|---|---|---|
| FORWARD | $ 29,652,800 | $144,258,441 | | | $ 1,747 | $ 32,558 |
| 3. MONEY BORROWED, AND ACCOUNTS CARRIED FOR RESPONDENT BY OTHER BANKING AND BROKERAGE HOUSES, UNSECURED, OR SECURED ENTIRELY BY COLLATERAL OWNED BY RESPONDENT AND ITS PARTNERS OR ITS OFFICERS AND DIRECTORS OR BY SECURITIES COVERED BY "SATISFACTORY SUBORDINATION AGREEMENTS". | | | | | | |
| A. Money borrowed: | | | | | | |
| 1. From banks, trust companies and other financial institutions | | 25,630,000 | | | | |
| 2. Securities sold subject to repurchase agreements (United States Government securities) | | 32,043,504 | | $32,072,857 | | |
| 3. Bank overdrafts | | 11,537,082 | | | | |
| 4. OTHER OPEN ITEMS WITH BROKERS AND DEALERS. | | | | | | |
| A. Securities borrowed | | | | | | |
| B. Securities failed to deliver: | 5,073,575 | | | | | |
| 1. Customers' securities (includes items outstanding 30 days or longer, $3,163,000) | 12,001,599 | | | | | |
| 2. Respondents' securities | [illegible] | | | | | |
| C. Securities loaned: | | | | | | |
| 1. Customers' securities | | 30,549,385 | | | | |
| 2. Respondents' securities | | 750,269 | | | | |
| D. Securities failed to receive: | | | | | | |
| 1. Customers' securities (includes items outstanding 30 days or longer, $3,339,000) | | 25,333,563 | | | | |
| 2. Respondents' securities | | 407,027 | | | | |
| 6S. CUSTOMERS' SECURITY ACCOUNTS. | | | | | | |
| A. Accounts which are secured after application of current outstanding margin calls and bona fide cash accounts | 237,304,457 | 11,393,406 | | | | |
| B. Accounts in deficit or unsecured and which are not in such status as to warrant classification in section (A) above | 1,905,969 | 2,882 | | | | |
| C. Accounts with free credit balances | | 62,439,537 | | | | |
| D. Joint account carried by the Respondent in which the Respondent has an interest: | | | | | | |
| 50% interest | 191,959 | | $ 91,000 | | | |
| 7S. CUSTOMERS' COMMODITY ACCOUNTS. | | | | | | |
| A. Accounts having only open future commitments liquidating to an equity after application of current outstanding margin calls: | | | | | | |
| 1. Regulated commodities | 738,663 | 5,187,313 | | | 1,332,720 | 886,078 |
| 2. Non-regulated commodities | 106,183 | 3,166,413 | | | 306,736 | 512,492 |
| C. Accounts in deficit or unsecured and which are not in such status as to warrant classification in section (A) above: | | | | | | |
| 1. Regulated accounts liquidating to a deficit | 12,279 | 112,812 | | | 174,894 | 90 |
| 2. Non-regulated accounts liquidating to a deficit | 13,144 | 32,925 | | | 95,352 | 15 |
| 3. Unsecured debit balances | 314,090 | | | | | |
| D. Accounts with free credit balances: | | | | | | |
| 1. Regulated | | 1,207,099 | | | | |
| 2. Non-regulated | | 462,894 | | | | |
| FORWARD | $291,332,227 | $354,514,472 | $ 91,000 | $32,072,857 | $1,911,449 | $1,431,233 |

(Continued) - 2.

UNAUDITED

FRANCIS I. du PONT & CO.
ANSWERS TO SPECIAL FINANCIAL QUESTIONNAIRE, ETC.
AS OF JANUARY 30, 1970

| QUESTION NO. AND TITLE OF ACCOUNT | LEDGER BALANCES DEBIT | LEDGER BALANCES CREDIT | SECURITY VALUATIONS LONG | SECURITY VALUATIONS SHORT, ETC. | COMMODITY CONTRACTS LOSSES | COMMODITY CONTRACTS GAINS |
|---|---|---|---|---|---|---|
| FORWARD | $291,332,227 | $394,514,472 | $ 91,000 | $32,072,857 | $1,911,449 | $1,431,233 |
| 9. GENERAL PARTNERS' INDIVIDUAL ACCOUNTS. | | | | | | |
| b. All other accounts of general partners: | | | | | | |
| 1. Security accounts: | | | | | | |
| a. Accounts which are secured after application of current outstanding margin calls and bona fide cash accounts | 44,029 | | | | | |
| c. Accounts with free credit balances | | 13,220 | | | | |
| 10. TRADING AND INVESTMENT ACCOUNTS OF RESPONDENT. | | | | | | |
| A. Securities accounts - ledger balances | 69,759,618 | | | | | |
| 1. Exempted securities: | | | | | | |
| b. Deposited as margin on regulated future commodities contracts or segregated under the Commodity Exchange Act | | | 2,110,800 | | | |
| c. Deposited as margin on non-regulated future commodities contracts | | | 880,800 | | | |
| d. Deposited as contribution to clearing organizations incident to membership | | | 603,200 | | | |
| e. United States Government securities (including securities sold subject to repurchase agreements) | | | 65,087,773 | 9,931,645 | | |
| f. Other exempted securities | | | 2,673,370 | 412,030 | | |
| 2. Non-exempted securities: | | | | | | |
| a. Other non-exempted securities | | | 11,008,322 | 6,975,660 | | |
| b. Domestic arbitrage | | | 91,528 | 108,500 | | |
| 11. CAPITAL ACCOUNTS. | | | | | | |
| B. Partnership capital: | | | | | | |
| 1. Capital accounts of general partners: | | | | | | |
| a. Ledger balances | | 36,269,443 | | | | |
| b. Exempted securities | | | 494,750 | | | |
| c. Non-exempted securities | | | 703,268 | | | |
| d. Unsecured notes of general partners contributed as capital in lieu of cash | 615,000 | | | | | |
| 2. Capital accounts of special or limited partners: | | | | | | |
| a. Ledger balances | | 9,102,221 | | | | |
| b. Exempted securities | | | 3,718,580 | | | |
| c. Non-exempted securities | | | 8,016,489 | | | |
| 3. Undistributed profit and loss accounts, including balances remaining in income and expense accounts | 1,164,624 | | | | | |
| 12. SUBORDINATED ACCOUNTS. | | | | | | |
| A. Subordinated accounts - borrowings by Respondent unconditionally subordinated to all claims of general creditors pursuant to written agreements: | | | | | | |
| 2. Accounts with credit balances | | 6,179,419 | | | | |
| a. Exempted securities | | | 850,910 | | | |
| b. Non-exempted securities | | | 2,277,447 | | | |
| FORWARD | $362,915,578 | $406,078,775 | $ 98,568,237 | $49,500,692 | $1,911,449 | $1,431,233 |

(Continued) - 3.

UNAUDITED

FRANCIS I. du PONT & CO.
ANSWERS TO SPECIAL FINANCIAL QUESTIONNAIRE, ETC.
AS OF JANUARY 30, 1970

| QUESTION NO. AND TITLE OF ACCOUNT | LEDGER BALANCES DEBIT | LEDGER BALANCES CREDIT | SECURITY VALUATIONS LONG | SECURITY VALUATIONS SHORT, ETC. | COMMODITY CONTRACTS LOSSES | COMMODITY CONTRACTS GAINS |
|---|---|---|---|---|---|---|
| FORWARD | $362,915,578 | $406,078,775 | $ 98,568,237 | $49,500,692 | $1,911,449 | $1,431,233 |
| 13. OTHER ACCOUNTS, ETC. | | | | | | |
| A. Demand notes contributed as capital by general partners | 31,276,600 | | | | | |
| Collateralized by: | | | | | | |
| Ledger balances | | 862,669 | | | | |
| Exempted securities | | | 2,304,810 | | | |
| Non-exempted securities | | | 24,352,033 | | | |
| B. Demand notes contributed as capital by special or limited partners | 4,512,000 | | | | | |
| Collateralized by: | | | | | | |
| Ledger balances | | 82,733 | | | | |
| Exempted securities | | | 934,250 | | | |
| Non-exempted securities | | | 2,801,247 | | | |
| Exchange memberships owned by Respondent (market value, $3,160,110) | 1,860,421 | | | | | |
| Furniture, fixtures, and leasehold improvements (depreciated value) | 2,799,192 | | | | | |
| Dividends receivable: | | | | | | |
| 1. Current items (outstanding less than 30 days) | 4,553,924 | | | 4,175,583 | | |
| 2. Other | 3,473,332 | | | 7,987,214 | | |
| Accrued interest receivable: | | | | | | |
| Fully margined customers' accounts | 925,000 | | | | | |
| Trading and investment accounts of Respondent: | | | | | | |
| United States Government securities and certificates of deposit, including Federal agency issues | 427,996 | | | | | |
| Other | 371,097 | | | | | |
| Commissions receivable from customers: | | | | | | |
| Future commodity accounts which are fully margined | 174,807 | | | | | |
| Future commodity accounts undermargined or in deficit | 5,054 | | | | | |
| Fully margined or cash security accounts | 741,983 | | | | | |
| Investments in affiliates | 1,989,018 | | | | | |
| Miscellaneous accounts receivable | 1,793,596 | | | | | |
| Prepaid expenses and deferred charges | 644,790 | | | | | |
| Free shipments to banks, brokers, and dealers | 61,223 | | | | | |
| Goodwill | 65,871 | | | | | |
| Accounts, advances, and notes receivable from employees | 54,454 | | | | | |
| Commissions payable | | 340,641 | | | | |
| Unclaimed dividends and interest payable | | 5,389,385 | | | | |
| Federal dividend taxes withheld at source | | 15,460 | | | | |
| Social security, withholding, and other payroll taxes payable | | 578,407 | | | | |
| Accrued compensation | | 1,482,647 | | | | |
| Accrued interest payable: | | | | | | |
| Bank loans | | 1,166,858 | | | | |
| United States Government securities including Federal agency issues | | 361,519 | | | | |
| Valuation reserve - for bad debts | | 560,422 | | | | |
| Miscellaneous accounts payable (including other accrued expenses) | | 2,206,636 | | | | |
| Valuation of security count differences | | | 11,621,000 | 9,907,748 | | |
| Commodity "difference" accounts: | | | | | | |
| Regulated accounts | 618,994 | | | | | 618,994 |
| Non-regulated accounts | | 138,778 | | | 138,778 | |
| TOTAL | $419,264,930 | $419,264,930 | $140,581,577 | $71,566,237 | $2,050,227 | $2,050,227 |

(Continued) - 4.

UNAUDITED

FRANCIS I. du PONT & CO.

ANSWERS TO QUESTION 14(a) - COMMITMENTS FOR ACCOUNT OF RESPONDENT WHICH ARE NOT RECORDED IN A LEDGER ACCOUNT FOR MONEY
AS OF JANUARY 30, 1970

| Description of Security | Rating | Quantity Bought | Quantity Sold | Total Cost | Total Proceeds | Position Long (Short) | Approximate Market Valuation Price | Approximate Market Valuation Long (Short) | Unrealized Profit (Loss) |
|---|---|---|---|---|---|---|---|---|---|
| a. When-issued contracts: | | | | | | | | | |
| Exempted securities: | | | | | | | | | |
| Anoka, Minnesota, ISD II 6.8%, due 2/1/77 | AA | $ 50,000 | $ 25,000 | $ 50,225.00 | $ 25,487.50 | $25,000 | 100.45 | $25,112.50 | $ 375.00 (4) |
| Sacramento Mud, Calif., 6-3/4%, due 3/10/2010. | AA | 20,000 | 10,000 | 19,162.50 | 9,762.50 | 10,000 | 96.625 | 9,662.50 | 262.50 (4) |
| Offsetting purchases and sales contracts resulting in an unrealized profit in each security | | 170,000 | 170,000 | 170,891.25 | 172,324.50 | | | | 1,433.25 |
| Total | | | | $240,278.75 | $207,574.50 | | | $34,775.00 | $2,070.75 |
| Non-exempted securities: | | | | | | | | | |
| Hamilton Int'l Corp. C | | 1,699 shs. | 1,699 shs. | $ 4,884.62 | $ 4,884.62 | | | | - (30) |
| b. Delayed delivery contracts: | | | | | | | | | |
| Exempted securities: | | | | | | | | | |
| Ansonia Com Hsg Pn 6%, due 8/14/70 | | $ 20,000 | $ 20,000 | $ 20,075.00 | $ 20,075.00 | | | | - (10) |
| Cumberland, Md., Hsg Pln 5.62%, 8/1/70 | | 25,000 | 25,000 | 25,032.25 | 25,032.25 | | | | - (10) |
| Total | | | | $ 45,107.25 | $ 45,107.25 | | | | - |
| Non-exempted securities: | | | | | | | | | |
| Province of Ontario 9-1/4%, due 2/15/2000 | A | $ 15,000 | | $ 14,850.00 | | $15,000 | 99.00 | $14,850.00 | - (10) |
| Offsetting purchases and sales contracts resulting in an unrealized loss in each security | | 10,000 | $10,000 | 9,987.50 | $ 9,962.50 | | | | $ (25.00) |
| Total | | | | $ 24,837.50 | $ 9,962.50 | | | $14,850.00 | $ (25.00) |

QUESTION NO.

15. PARTICIPATION OF THE RESPONDENT IN JOINT TRADING AND INVESTMENT ACCOUNTS CARRIED BY OTHERS THAT ARE NOT RECORDED IN LEDGER ACCOUNTS FOR MONEY.

| Description of Security | Rating | Good Faith Deposit | Total Net Long Position | Total Approximate Ledger Debit Balance | Respondent's Participation Net Long Position | Respondent's Participation Approximate Ledger Debit Balance | Respondent's Participation Approximate Market Valuation | Unrealized Profit (Loss) |
|---|---|---|---|---|---|---|---|---|
| Exempted securities: | | | | | | | | |
| Various Pennsylvania, 1990-91 | Aa | $150,000 | $1,500,000 | $1,705,550 | $ 750,000 | $ 602,775 | $ 602,775 | - (4) |
| Tazewell, Virginia | | | 900,000 | 900,000 | 300,000 | 300,000 | 273,000 | $(27,000) (10) |
| Total | | $150,000 | $2,400,000 | $2,105,550 | $1,050,000 | $ 902,775 | $ 875,775 | $(27,000) |
| Non-exempted securities: | | | | | | | | |
| Louisville & Nashville RR 8-1/4% E.T.C., 12/1/70-84 | AA | | $1,062,000 | $1,087,000 | $ 371,700 | $ 380,450 | $ 380,450 | - (10) |
| Seaboard Coastline RR 8-5/8% E.T.C., 12/15/70-84 | AA | | 2,134,000 | 2,319,000 | 746,900 | 811,650 | 811,650 | (10) |
| Total | | | $3,196,000 | $3,406,000 | $1,118,600 | $1,192,100 | $1,192,100 | - |

(Continued) - 5.

FRANCIS I. du PONT & CO. UNAUDITED
ANSWERS TO SPECIAL FINANCIAL QUESTIONNAIRE, ETC.
AS OF JANUARY 30, 1970

QUESTION NO.

16. CONTINGENT ITEMS.

A. There are several lawsuits pending against Respondent. In the opinion of counsel these lawsuits will be decided with no material adverse effect on the Capital of the Respondent.

B. The Respondent had a liability at January 30, 1970 for drafts deposited for immediate credit in the aggregate amount of $5,318,021.32.

C. The Respondent sold the following municipal bonds with agreements to repurchase at the selling price. The cost of bonds sold has been deleted from Firm inventory.

| Description of Security | Quantity | Repurchase Price | Approximate Market Price | Approximate Market Valuation |
|---|---|---|---|---|
| Martinsburg, West Va., Water and Sewer Revenue: | | | | |
| 3%, due 6/1/70 | $25,000 | $25,313 | 96 | $24,000 |
| 3%, due 6/1/71 | 25,000 | 25,281 | 93-1/2 | 23,375 |
| Virginia Toll Rev. 3%, due 9/1/94 | 25,000 | 21,750 | 91-1/2 | 22,875 |
| Total | | $72,344 | | $70,250 |

NOTE: The term "exempted securities" has been used herein to designate securities exempted from registration under the Securities Exchange Act of 1934, otherwise than by action of the Securities and Exchange Commission.

(Concluded) - 6.

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Pl. Ex. 50 pp. 915a-921 915a

G 2

# ...AL OPERATIONS QUESTIONNAIRE

## TO THE BOARD OF GOVERNORS – NEW YORK STOCK EXCHANGE

PJ Clint

| NAME OF RESPONDENT ORGANIZATION | COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31/ |
|---|---|
| Francis I. duPont & Co. | LAST PREVIOUS REPORT DATE: 2/27/70 |

S.O.P.

| | | Current Report | Last Previous Report |
|---|---|---|---|
| 1 | Summarize the results of the latest computation made of the Ratio of Aggregate Indebtedness to Net Capital in accordance with Rule 325: | | |
| | A. Date as of which computation was made | 4/9/70 | 3/12/70 |
| | B. Amount of Aggregate Indebtedness | $ 225,058,000 | $ 208,977,000 |
| | C. Amount of Net Worth (excluding Subordinated Borrowings) | $ 48,663,000 | $ 51,949,000* |
| | D. Net Value of Securities in Proprietary accounts | $ 140,898,000 | $ 101,140,000 |
| | E. Amount of Subordinated Borrowings | $ 13,505,000 | $ 13,505,000* |
| | F. Net Value of Securities in Subordinated Accounts | $ None | $ None |
| | G. Amount of Net Capital | $ 20,062,000 | $ 20,026,000 |
| | H. Ratio of Aggregate Indebtedness to Net Capital | 1426 % | 1493 % |
| | I. Amount of Net Capital in Excess of (or Less than) Minimum Requirements | $ 5,762,000 | $ 5,777,000 |

*Sub. Borr. of $4,204,000 included in 1C on prior month's report.

| | | | |
|---|---|---|---|
| 2 | Furnish the following information as of the date shown in answer to question 1A above: (A) | | |
| | A. Unresolved stock record difference positions with no known related ledger amounts: | | |
| | 1. Total number thereof | 8,649 | 7,618 |
| | 2. Total LONG market value thereof | $ 11,198,273 | $ 10,919,470 |
| | 3. Total SHORT market value thereof | $ 9,650,676 | $ 9,966,076 |
| | 4. Were the LONG values ignored in the capital computation summarized in answer to question 1? | YES ☒ NO ☐ | YES ☒ NO ☐ |
| | 5. Were the SHORT values charged to capital in the capital computation summarized in answer to question 1? | YES ☐ NO ☒ | YES ☐ NO ☒ |
| | B. Ledger amounts comprising SUSPENSE ITEMS and/or DIFFERENCE AMOUNTS with no known related securities positions: | | |
| | 1. Total number of such SUSPENSE ITEMS and DIFFERENCE AMOUNTS | 1,119 | 1,135 |
| | 2. Total of such ledger DEBIT amounts | $ 160,820. | $ 194,522 |
| | 3. Total of such ledger CREDIT amounts | $ 678,551 | $ 780,640 |
| | 4. Were these amounts considered in the capital computation summarized in answer to question 1? | YES ☐ NO ☒ | YES ☐ NO ☒ |

(A) Data as of March 31, ... Entered in Spread Sheet K. G.

PLF. EX # 50
WIT.
DATE

FILED MAR 27 1970 SEC'Y. SECURITIES & EXCHANGE COMMISSION

| NAME OF RESPONDENT ORGANIZATION | COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31/ |
|---|---|
| Francis I. duPont & Co. | LAST PREVIOUS REPORT DATE: 2/27/70 |

| 2 cont. | | Current Report | Last Previous Report |
|---|---|---|---|
| C. | Ledger amounts comprising SUSPENSE ITEMS with known related securities positions: | | |
| | 1. Total number of such SUSPENSE ITEMS | 3 | 6 |
| | 2. Total of such ledger DEBIT amounts | $ 16,568 | $ 59,626 |
| | 3. Total of such ledger CREDIT amounts | $ None | $ 2,900 |
| | 4. Total market value of LONG securities positions related to SUSPENSE ITEMS | $ 16,568 | $ 48,458 |
| | 5. Total market value of SHORT securities positions related to SUSPENSE ITEMS | $ None | $ None |
| | 6. Were these balances and market values considered in the capital computation summarized in answer to question 1? | YES ☐ NO ☒ | YES ☐ NO ☒ |
| D. | Dividends, rights and similar distributions receivable outstanding 30 days and longer: | | |
| | 1. Total ledger amounts of such distributions receivable in cash | $ 3,725,650 | $ 3,744,479 |
| | 2. Total market value of such distributions receivable in stock, rights, etc. | $ 5,960,407 | $ 7,995,450 |
| | 3. Were the total ledger amounts and market values changed to conform to the computation summarized in answer to question 1? | YES ☒ NO ☐ | YES ☒ NO ☐ |

NOTES: 1. SUSPENSE ITEMS represent individually identifiable transactions which have not been cleared up in the normal course of business. They may have known related LONG or SHORT securities positions.

2. DIFFERENCE AMOUNTS represent currently unidentifiable items and may have been required to balance daily general ledger activity. They have no known related LONG or SHORT securities positions.

| 3 | Furnish the information requested with respect to counts made since the last previous Special Operations Questionnaire was filed: (B) | Current Report: Date | Per Cent of Total Positions Counted | Number of Unresolved Differences | Market Value of Unresolved Differences: Long | Market Value of Unresolved Differences: Short |
|---|---|---|---|---|---|---|
| | A. Securities: | | | | | |
| | 1. Securities in active box | None | N/A % | N/A | $ N/A | $ N/A |
| | 2. All other securities recorded as being in physical possession | None | N/A % | N/A | $ N/A | $ N/A |
| | B. Open transfer items counted and compared to stock record | None | N/A % | N/A | $ N/A | $ N/A |
| | | Last Previous Report | | | | |
| | A. Securities: | | | | | |
| | 1. Securities in active box | None | N/A % | N/A | $ N/A | $ N/A |
| | 2. All other securities recorded as being in physical possession | None | N/A % | N/A | $ N/A | $ N/A |
| | B. Open transfer items counted and compared to stock record | None | N/A % | N/A | $ N/A | $ N/A |

(B) Counts made related only to Audit Count Differences.

NAME OF RESPONDENT ORGANIZATION

Francis I. duPont & Co.

COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31/70

LAST PREVIOUS REPORT DATE: 2/27/70

**4** Furnish the information called for with respect to the latest proofs taken of the following accounts:

| | Date | Totals of Detail Records | Balances in Control Accounts | Differences |
|---|---|---|---|---|
| **Current Report** | | | | |
| A. Customer accounts | 3/31/70 | $ 151,115,101 | $ 151,115,101 | $ None |
| B. Fail to receive | 3/31/70 | $ 22,137,000 | $ 22,137,000 | $ None |
| C. Fail to deliver | 3/31/70 | $ 7,964,000 | $ 7,964,000 | $ None |
| D. Stocks borrowed | 3/31/70 | $ 3,453,078 | $ 3,453,078 | $ None |
| E. Stocks loaned | 3/31/70 | $ 18,265,245 | $ 18,347,745 | $ 40,509 |
| **Last Previous Report** | | | | |
| A. Customer accounts | 2/27/70 | $ 158,393,683 | $ 158,393,683 | $ None |
| B. Fail to receive | 2/27/70 | $ 24,210,000 | $ 24,210,000 | $ None |
| C. Fail to deliver | 2/27/70 | $ 13,178,000 | $ 13,178,000 | $ None |
| D. Stocks borrowed | 2/27/70 | $ 3,980,123 | $ 3,980,123 | $ None |
| E. Stocks loaned | 2/27/70 | $ 26,375,331 | $ 26,313,700 | $ 61,631 |

NOTE: DETAIL RECORDS consist of the supporting documents and/or ledgers which support the balances recorded in related general ledger control accounts. For example, the detail records supporting the general ledger customer control account are the customer ledgers; and those supporting the general ledger fail control accounts are the fail units maintained in the Cage and related EDP tape or card files.

**5** Furnish the following information as of month end:

| | Current Report | Last Previous Report |
|---|---|---|
| A. Number of securities positions with unresolved stock record breaks. | 13 (C) | 31 |
| B. Total market value of unresolved STOCK RECORD BREAKS: | | |
| 1. LONG | $ 2,246 | $ 225,392 |
| 2. SHORT | $ 39,899 | $ 15,215 |

NOTE: STOCK RECORD BREAKS refer to out of balance securities positions on the stock record which are created by the daily recording of securities movements

(C) 564 Breaks appeared on our preliminary closing run the evening of 3/31/70. All but 13 were cleared up by 4/1/70.

NAME OF RESPONDENT ORGANIZATION: Francis I. duPont & Co.

COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31/7[illegible]

LAST PREVIOUS REPORT DATE: 2/27/70

**6** *Furnish the information requested with respect to reconciliations performed in connection with the following items since the last previous Special Operations Questionnaire was filed:*

| | Current Report | | | | |
|---|---|---|---|---|---|
| | Date | % of Total Positions Conf'd. & Reconciled | Number of Unresolved Differences | Market Value of Unresolved Differences | |
| | | | | Long | Short |
| A. Collateral items confirmed with banks and compared to stock record | 4/17/70 | 100 % | None | $ None | $ None |
| B. Securities recorded as deposited with CCS and compared to the CCS Clearing Member Statement | 3/31/70 | 100 % | 16 (D) | $ 17,329 | $ 65,068 |
| C. Fails to deliver confirmed and compared to stock record | 3/31/70 | 100 % | )Confirm DK's | $ | 59 |
| | | 98 % | )Comparison Diff. | | $ 212 |
| D. Fails to receive confirmed and compared to stock record | 3/31/70 | 100 % | )Confirms DK's | $ | 66 |
| | | 98 % | )Comparison Diff. | | $ 206 |
| E. Stocks borrowed confirmed and compared to stock record 1 2 2 | 2/27/70 3/31/70 | 100 % | )Confirms DK's | $ | None |
| | | | )Comparison Diff. | | $ 1 |
| F. Stocks loaned confirmed and compared to stock record 1 2 2 | 2/27/70 3/31/70 | 100 % | )Confirms DK's | $ | None |
| | | | )Comparison Diff. | | $ 38 |
| | Last Previous Report | | | | |
| A. Collateral items confirmed with banks and compared to stock record | 3/19/70 | 100 % | None | $ None | $ None |
| B. Securities recorded as deposited with CCS and compared to the CCS Clearing Member Statement | 2/27/70 | 100 % | 5 (E) | $ 16,270 | $ 35,350 |
| C. Fails to deliver confirmed and compared to stock record | 2/27/70 | 100 % | )Confirm DK's | $ | 45 |
| | | | )Comparison Diff. | | $ 310 |
| D. Fails to receive confirmed and compared to stock record | 2/27/70 | 100 % | )Confirm DK's | $ | 43 |
| | | | )Comparison Diff. | | $ 332 |
| E. Stocks borrowed confirmed and compared to stock record | 2/27/70 | 100 % | )Confirm DK's | $ | None |
| | | | )Comparison Diff. | | $ None |
| F. Stocks loaned confirmed and compared to stock record | 2/27/70 | 100 % | )Confirm DK's | $ | 6 |
| | | | )Comparison Diff. | | $ 79 |

(D) All Differences resolved prior to filing this report.

**7**

| | Current Report | Last Previous Report |
|---|---|---|
| A. *Furnish the following information on unsecured accounts of customers at month-end:* | | |
| 1. Total number of accounts | 4,753 | 4,241 |
| 2. Total ledger DEBIT balances | $ 2,170,733 | $ 1,867,715 |
| 3. Total market value of SHORT securities positions | $ 2,009,024 | $ 1,870,923 |
| B. *Furnish the following information on unsecured accounts of brokers at month-end:* | | |
| 1. Total number of accounts | 595 | 526 |
| 2. Total ledger DEBIT balances | $ 136,695 | $ 266,811 |
| 3. Total market value of SHORT securities positions | $ 18,807 | $ 1,107,230 |

| NAME OF RESPONDENT ORGANIZATION | COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31/70 |
|---|---|
| Francis I. duPont & Co. | LAST PREVIOUS REPORT DATE: 2/27/70 |

| | | Current Report | Last Previous Report |
|---|---|---|---|
| 8 | *Furnish the following information on bank accounts and related bank statements:* | | |
| | A. Latest date, prior to the report date, as of which ALL bank accounts had been reconciled | 2/27/70 | 1/31/70 |
| | B. Total amount of unidentified reconciling items which could eventually require adjustment of respondent's profit and loss accounts as: | | |
| | 1. DEBITS | $ 45,000 | $ 45,000 |
| | 2. CREDITS | $ 1,400 | $ 1,400 |
| | NOTE: DEBIT and CREDIT amounts applicable to unidentified reconciling items should be shown separately. They should NOT be netted and shown as a single amount. | | |

| | | | |
|---|---|---|---|
| 9 | *With respect to clearing arrangements:* | | |
| | A. If the respondent clears through other brokerage organizations, state: | | |
| | 1. Latest date, prior to the report date, to which omnibus accounts carried for the respondent by clearing brokers had been reconciled | N/A | N/A |
| | 2. Total amount of unresolved reconciling items: | | |
| | (a) DEBITS | $ N/A | $ N/A |
| | (b) CREDITS | $ N/A | $ N/A |
| | 3. Total market value of unresolved reconciling items: | | |
| | (a) LONG | $ N/A | $ N/A |
| | (b) SHORT | $ N/A | $ N/A |
| | B. If the respondent clears for other brokerage organizations, state the number thereof | N/A | N/A |

| NAME OF RESPONDENT ORGANIZATION | COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31/70 |
|---|---|
| Francis I. duPont & Co. | LAST PREVIOUS REPORT DATE: 2/27/70 |

| 9 cont. | With respect to clearing arrangements: | Current Report | Last Previous Report |
|---|---|---|---|
| | C. If the respondent clears through the Stock Clearing Corporation's direct mail clearance facilities, state: | | |
| | 1. Latest date, prior to report date, to which the omnibus account carried for the respondent by the Stock Clearing Corporation had been reconciled | N/A | N/A |
| | 2. Total amount of unresolved reconciling items: | | |
| | (a) DEBITS | $ N/A | $ N/A |
| | (b) CREDITS | $ N/A | $ N/A |
| | 3. Total market value of unresolved reconciling items: | | |
| | (a) LONG | $ N/A | $ N/A |
| | (b) SHORT | $ N/A | $ N/A |
| | NOTE: DEBIT and CREDIT amounts and LONG and SHORT market values applicable to unresolved reconciling items should each be shown separately. | | |

| 10 | State the average number of TRADES executed per trading day of the month, for customers, other brokers and the respondent in each of the following markets: | | |
|---|---|---|---|
| | A. New York Stock Exchange | 2,047 | 2,258 |
| | B. All other securities exchanges | 1,126 | 1,308 |
| | C. Over the Counter | 821 | 769 |
| | D. Other: | 615 | 535 |
| | | | |
| | | | |
| | Totals | 4,609 | 4,870 |

NOTES: 1. TRADES consist of the buying and selling activities undertaken for customers, other brokers and the respondent's proprietary accounts, which result in the issuance of confirmations and/or which require clearance or other settlement activities on the part of the respondent. Transactions cleared or settled for correspondents should be excluded. In determining the average number of trades, an order for the purchase (or sale) of, say, 500 shares, executed as 200 shares at 25 and 300 shares at 25¼, should be considered as two trades.

2. If the information as requested in this question will present a distorted representation of the respondent's business, the "Other" category may be classified into significant components, such as Underwritings, Specialist clearances, Correspondent clearances, and so forth.

3. Transactions included in the "Other" category (10 D) should be excluded from the categories of New York Stock Exchange, All other securities exchanges, and Over the Counter.

| NAME OF RESPONDENT ORGANIZATION | COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31/70 |
|---|---|
| Francis I. duPont & Co. | LAST PREVIOUS REPORT DATE: 2/27/70 |

| | | Current Report | Last Previous Report |
|---|---|---|---|
| 11 | State the average number, per trading day of the month: | | |
| | A. Of UNCOMPARED TRADES and ADVISORY TRADES | 348 | 309 |
| | B. Of corrected or cancelled trades (If a correction and a cancellation apply to the same trade, include them as a single item only) | 139 | 121 |

NOTES: 1. An UNCOMPARED TRADE is one (a) which is reflected differently on the respondent's blotter than on the contra broker's blotter as revealed by contract sheets in the case of clearing house transactions, or (b) for which the contra broker DK's the respondent's broker comparison, or for which the respondent DK's the contra broker's comparison, in the case of Over the Counter transactions.

2. An ADVISORY TRADE is one which is reflected on the contra broker's blotter only, and not on the respondent's blotter, as revealed by contract sheets, in the case of clearing house transactions.

| | | | |
|---|---|---|---|
| 12 | State the number, over 30 days old at month end, of open transfer items: | | |
| | A. Being transferred by the respondent's organization | 14,867 | 18,273 |
| | B. Being transferred by other brokerage organizations for the respondent | 254 | 375 |
| | C. Being transferred by the Stock Clearing Corporation's direct mail clearance facilities for the respondent | N/A | N/A |
| 13 | State the number, more than 30 days old at month end, of open instructions to deliver customer securities. (Include transfer instructions not yet matched with securities and sent to transfer agents as well as other types of instructions which have not been delivered.) | 7,327 | 10,252 |
| 14 | Estimate the average per day of the month, for the following: | | |
| | A. Securities delivered to other brokers returned unaccepted (DK's): | | |
| | 1. Number of items | 20 | 45 |
| | 2. Percentage of such items to total items presented to brokers for delivery | 1.49 % | 2.31 % |
| | B. Securities delivered against payment to banks returned unaccepted: | | |
| | 1. Number of items | 24 | 23 |
| | 2. Percentage of such items to total items presented to banks for delivery | 9.6 % | 9.1 % |

NOTE: With respect to securities delivered to other brokers through clearinghouses, each deliver balance order should be considered as an individual item in determining the base for estimating the average percentage of unaccepted items delivered to total items delivered.

| NAME OF RESPONDENT ORGANIZATION | COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31 |
|---|---|
| Francis I. duPont & Co. | LAST PREVIOUS REPORT DATE: 2/27/70 |

| | | Current Report | Last Previous Report |
|---|---|---|---|
| 15 | State the number of calendar days after the month end or other cutoff date required for the preparation and mailing of customer statements | 3 | 3 |
| 16 | State the latest date prior to the report date for which internal FINANCIAL STATEMENTS had been issued to capital contributors | (D) 12/31/69 | 12/31/69 |
| | NOTE: FINANCIAL STATEMENTS include, as a minimum, a Statement of Income or Loss and a Statement of Financial Position. | | |
| 17 | State the number of business days after the end of the month required to complete the normal daily posting of the following: | | |
| | A. General ledger | Done Daily For that Day's Business | |
| | B. Customer and broker accounts | | |
| | C. Stock record | | |
| | D. Margin records | | |
| 18 | A. State the number, at month end, of PRODUCING PERSONNEL (Those who devote less than the full trading day to production work should be included on an equivalent basis, e.g., ½, ¼, etc.) | ,402 | 1,450 |
| | B. State the number, at month end, of personnel undergoing Registered Representative training | 90 | 90 |
| | C. State the total number of operations personnel employed in the Wire and Order, Purchases and Sales, Cashiering, Stock Record, Margin, Dividends, Accounting and Data Processing departments | 1,195 | 1,186 |
| | D. State the number of personnel on your full time internal audit staff | 72 | 63 |
| | E. Is an outside service bureau used for daily recordkeeping activities? | YES ☐ NO ☒ | YES ☐ NO ☒ |
| | F. State the approximate number of operations personnel who are attending formal operations training courses at the present time: | | |
| | 1. Internal courses | 43 | 35 |
| | 2. External courses | 30 | 20 |
| | NOTE: PRODUCING PERSONNEL, for the purpose of this questionnaire, represent those, including partners or officers, who accept orders to execute trades. | | |

(D) P & L distributed monthly to general partners.

| NAME OF RESPONDENT ORGANIZATION | COMBINED REPORT OF ALL OFFICES OF RESPONDENT ORGANIZATION FOR THE MONTH ENDED: 3/31/70 |
|---|---|
| Francis I. duPont & Co. | LAST PREVIOUS REPORT DATE: 2/27/70 |

| | | Current Report |
|---|---|---|
| 19 | A. Attach a statement identifying any major organization or system changes (for example, introduction or expansion of internal audit staff, long range planning staff, etc., conversion to computer or service bureau systems) instituted since filing the latest Special Operations Questionnaire. Include similar changes now being planned for implementation within the next 6 months and not previously reported. Provide details regarding reasons for each change and target dates for the start and completion of each change. | ☐ Statement Attached<br>☒ Not Applicable |
| | B. Attach a statement giving brief progress reports on all previously reported changes now in progress, or completed or abandoned since the last previous report. | ☐ Statement Attached<br>☒ Not Applicable |

| | | Current Report | Last Previous Report |
|---|---|---|---|
| 20 | *Furnish the following fiscal year-to-date information as reported in the latest internal financial statements:* | | |
| | A. Cumulative net profit (loss) applicable to the current fiscal year | $ (4,952,000) | $ (2,861,000) |
| | B. Number of fiscal months to which the cumulative net profit (loss) applies | 3 | 2 |

NAME OF RESPONDENT ORGANIZATION Francis I. duPont & Co.

SIGNED BY Walter Craig
(CHIEF EXECUTIVE)

AND Samuel A Day
(MEMBER OR ALLIED MEMBER IN CHARGE OF OPERATIONS)

DATE 4/23/70

ALL QUESTIONS MUST BE ANSWERED. STATE "NONE" OR "NOT APPLICABLE," AS APPROPRIATE, IF THERE IS NOTHING TO REPORT IN RESPONSE TO A PARTICULAR QUESTION

Pl. Ex. 127
p. 924a

NEW YORK STOCK EXCHANGE
11 WALL STREET
NEW YORK, N. Y. 10005

PLF: USEE Perez
EX # 21
DATE 5-17-74
Cal Ass'n Reporting Serv.co

March 26, 1969

Francis I. du Pont & Co.
1 Wall Street
New York, New York 10005

Attention: Mr. Charles Moran, Jr.

Gentlemen:

The Advisory Committee of the Board of Governors, at its meeting held yesterday, considered the staff memorandum dated February 13, 1969, covering possible violations of Exchange Rule 440 and SEC Rule 17a-3.

It was determined that Mr. Charles Moran, Jr. and Mr. Albert J. Coffey, general partners of your firm, should appear before the Board of Governors on Thursday, April 3, 1969 in connection with this matter.

Meetings of the Board of Governors are held on the Sixth Floor of the Exchange Building, 11 Wall Street, and convene at approximately 2:10 P.M. You are requested to come to Room 610 not later than 2:00 P.M. on the day of the meeting.

Very truly yours,

/s/ ROBERT M. BISHOP
Robert M. Bishop
Vice President

TFCarey:cw

PLF.
EX # 127
WIT.
DATE

G 50

NEW YORK STOCK EXCHANGE DEPARTMENT OF MEMBER FIRMS

EX 50 PLTF. DEFT. FOR ID.
IE 5-17-74
...ss'n Reporting Service

September 30, 1969

Report on Visit to Francis I. du Pont & Co.

Re: Answers to Special Questionnaire as of June 30, 1969

The answers to the special questionnaire were prepared by the accounting control department under the supervision of Mr. John McCusker, manager. The typing was done by Messrs. Haskins & Sells, certified public accountants. A review of the preparation of the answers was made, including tests of ledger balances and security positions to the books and records of the firm. From this review it was determined that the answers were in agreement with the books and records except for the following:

1. The short market value applicable to customers' unsecured accounts (question 5(c)) in the amount of $37,117,213 per the special operations questionnaire of June 30, 1969) was not reported.

2. The short market value of non-current dividends (question 13) in the amount of $1,989,981 (per 6/30/69 S.O.Q.) was not reported.

3. Additional unsecured customers' accounts were discovered during the review which were unknown to the accounting control department and were not reported. They are as follows:

a) Five accounts with debits totaling $199,343 were omitted in error by the margin clerks from the total of unsecured debits reported by the margin department to the accounting department.

PLF. DEFT. EX 135 FOR ID.
WIT.

b) Six institutional accounts with debits of $21,445 and short market value of $214,000 were not included in the total of unsecured debits reported by the margin department as apparently no institutional accounts are considered as uncollectible.

c) Sixteen customer accounts with no customer name (no name accounts) having unsecured debits totaling $207,838 and short market value of $230,200 were not reported and apparently the existence of these accounts was not known as they were unchanged from at least May 30 through August 23, 1969.

4. The amounts reported as non-current cash dividends receivable ($539,962) was supplied to the accounting control department by the dividend department. In determining this figure, no consideration was given to debit balances in the following accounts, which were reported as current and would appear to be non-current.

| | | |
|---|---|---|
| a/c 1400 | Fractional shares on stock dividends 1967 and prior | $ 212,562 |
| 1468 | Fractional shares on stock dividends 1968 | 205,641 |
| 1469 | Fractional shares on stock dividends 1969 - 1st quarter | 358,249 |
| 2368-9 | Dividend claim account pending confirmation 1968 & 1969 1st quarter | 148,634 |
| 2268 | 1968 Dividend claim account U. S. Funds only | 61,000 |
| 3215 | Dividend claim a/c Chicago office | 42,143 |
| | Total | $1,027,229 |

5. In addition, the short market value of stock positions in a/c 2368 was not included by the dividend department with the short values in item 2 mentioned above as apparently the account should not reflect any security positions at all. The short dividend positions were valued at $23,302 at June 30, 1969.

6. In reviewing the assembly of the questionnaire, it was noted that due to an error in recording the redemption of U. S. Treasury bills which were being used as margin deposits at a commodity exchange, the undistributed loss reported in question 11.B.3 was understated by $98,357. The commodity deposit was overstated by the same amount.

7. In reporting security market values in Part II, some of the exempt bonds were reported as having a 30% charge under Rule 325 when actually a much smaller charge was applicable. The net effect of these charges was an understatement of Net Capital by about $36,535.

8. The excess Net Capital of two affiliated companies, Francis I. du Pont, A. C. Allyn, Inc. and Francis I. du Pont Municipals, Inc. is allowed as additional credit to Net Capital per a letter from the Exchange dated June 19, 1969. However, in submitting a balance sheet for Francis I. du Pont, A. C. Allyn, Inc., a subordinated loan of $275,000 in cash and $975,000 in securities was described as "F.I.D. Municipals, Inc." - $1,250,000, and was therefore given no value in computing Net Capital. The value which should have been allowed is $275,000 cash and $825,768 in allowable market value under Rule 325.

9. In question 13, a debit of $53,115.73 was reported as "Free shipments to banks, brokers and dealers". Review of the records disclosed that this balance represented old shipments which were more than thirty days old and in fact still uncollected at August 29, 1969 and should have been described as non-current.

The unsecured accounts and dividend accounts mentioned above are discussed in more detail later in this report.

The capital position of the firm as determined from analysis of the answers to the special questionnaire after giving effect to the above stated exceptions follows:

| | | |
|---|---|---|
| Aggregate Indebtedness --- | | $441,739,866 |
| Net Capital | | 19,230,297 |
| Ratio | | 2298% |
| Commitments: | | |
| 30% | $25,021,000 | |
| 15% | 172,000 | |
| 10% | 7,319,000 | |
| 7½% | 841,000 | |
| 5% | 6,634,000 | |
| 4% | 4,187,000 | |
| 3% | 8,583,000 | |
| 2½% | 47,000 | |
| 2% | 3,953,000 | |
| 1½% | 4,447,000 | |
| 1% | 32,693,000 | |
| -o- | 93,100,000 | |
| -o-(CD) | 2,500,000 | 189,497,000 |

Included in the above stated capital position is capital in the amount of $33,108,600 contributed by general and limited partners through demand notes. These notes are secured by non-exempt securities with long market value of $25,615,138, exempt securities with long market value of $2,340,640, and cash credits of $761,872.74. The market value of this collateral is not included in the firm commitments detailed above. A cash margin deficiency of $12,215,376 was charged to Net Capital relative to these notes.

Also included in the above Net Capital are subordinated accounts with credit balances of $4,862,020.32 and long exempt market value of $8,280 and non-exempt market value of $162,626

The above computation includes consolidation with Francis I. du Pont & Co., S.A. Lausanne because this wholly owned subsidiary had a deficit Net Capital of $23,924 at June 30, 1959. This deficit is charged against the parent's Net Capital and the Aggregate Indebtedness of $33,501 is included in determining the parent's Aggregate Indebtedness.

Also included in the above Net Capital is a credit for the excess Net Capital of two subsidiaries as follows:

| | |
|---|---|
| Francis I. du Pont, A. C. Allyn Inc. | $2,454,018 |
| Francis I. du Pont Municipals Inc. | 1,054,000 |

No charge is made in the above Net Capital position for unlocated short security differences as none were reported in the answers and no dollar value is known for such differences as of June 30, 1969. This problem is discussed in a subsequent portion of this report.

Subsequent portions of this report also deal with problems of unreconciled ledger accounts for dividends and exchanges, and with the substantial amount of reconciling items relative to bank accounts for which adjustments had not been made. It was also noted that the Chicago branch inter-office account was not fully reconciled on a current basis.

In the light of these problems, it would appear that an exact capital position can be determined only through a detailed audit.

The capital position of the firm as of July 30, 1969 as prepared by the firm and as adjusted by us for such items as the unsecured customer's account and non-current dividends as were known by us is as follows:

| | |
|---|---|
| Aggregate Indebtedness | $382,619,753 |
| Net Capital | 17,546,389 |
| Ratio | 2181% |

Some of the reasons for the deterioration of the firm's Net Capital position are:

1. Losses on operations for the calendar year amounted to $3,122,707 through June 30 and $4,899,757 through July 31.

2. Decline in market value of firm commitments.

3. Heavy charges for unsecured customers accounts.

Some steps taken by the firm to correct the situation are as follows:

1. New capital has been brought in. During August, cash of $2,015,000 and securities with an approximate value of over $750,000 was received. In September, through September 22, cash of $594,000 and securities with an approximate market value of $2,400,000 have been received.

2. A great cost cutting effort is being made which should start to pay off in September. Mr. Edmond du Pont, a general partner, stated that expenses should be down by $1,500,000 in September.

3. Commodity credit lines are being dropped. The capital charge for this was over $2,000,000 at June 30, 1969.

4. An effort is being made to reduce firm commitments and Aggregate Indebtedness.

Final figures for August 31, 1969 are not yet available but the Exchange will be advised as soon as the information becomes available.

Relative to compliance with Rule 325 (Capital Requirements) a capital computation is prepared each month by Mr. Michael McDermott, an employee. Review of the June 30, 1969 computation prepared by Mr. McDermott disclosed the following Net Capital position.

Messrs. Francis I. du Pont & Co. Page 7

| | |
|---|---|
| Aggregate Indebtedness | $441,055,593 |
| Net Capital | 23,762,983 |
| Ratio | 1856% |

Reconciliation of this position with that as determined from analysis of the answers to the questionnaire and as presented earlier in this report, is as follows:

| | |
|---|---|
| Aggregate Indebtedness per Firm | $441,055,593 |
| Less: | |
| Included by firm in error lawsuits per question 16A | 40,000 |
| | $441,015,593 |
| Add: | |
| Omitted by firm in error credit balances in accounts with other brokers - question 2B.1.b. | $ 197,629 |
| Commodity accounts liquidating to an equity - question - 2B.2.b. | 112,629 |
| Credit balances in customers partly secured accounts - question 6B | 3,195 |
| Accrued interest payable - U. S. Government securities - question 13 | 377,328 |
| Aggregate Indebtedness of Francis I. du Pont & Co. S.A. Lausanne | 33,501 |
| | $441,739,373 |
| Less difference due to rounding | 7 |
| Aggregate Indebtedness per Analysis | $441,739,366 |
| | |
| Net Capital per Firm | $ 23,762,983 |
| Less: | |
| Unsecured customers' accounts - short market value | 1,171,965 |
| Law suits | 40,000 |
| Short market value partly secured accounts | 52,801 |
| Goodwill | 65,871 |
| Accrued interest receivable - other | 149,380 |
| Differences in computing the cash margin deficiency on demand notes | 36,507 |
| Difference in computing excess Net Capital of subsidiaries non-current assets | 177,661 |
| security haircuts | 176,996 |
| Profits on commitments not recorded on books, allowed by firm | 16,078 |
| Non-current dividends - cash | 1,047,309 |
| " " " - short market value | 23,302 |

Net Capital per Firm (continued)

| | | |
|---|---|---|
| Error in reporting undistributed loss in questionnaire | $ | 98,357 |
| Additional unsecured accounts of customers determined during visit | | 1,472,826 |
| Other (rounding etc.) | | 3,633 |
| Total | | $ 4,532,[illegible]5 |
| Net Capital per analysis | | $ 19,230,[illegible]97 |

These reconciling items were discussed with Mr. McDermott for guidance in future capital computations. It should be noted that Mr. McDermott is dependent on various departments for certain information needed for these computations. If this information is inaccurate, then his computations will be inaccurate. In the case of this computation, certain items relative to non-current dividends ($1,070,611) and unsecured customers' accounts ($1,472,826) were not known by Mr. McDermott and therefore not charged in his computation.

Mr. McDermott is assisted by Mr. Paul du Pont and reports to Mr. Milton A. Speicher and Mr. Gough W. Thompson, Jr., general partners. The computations are retained for at least three years.

A review of the records of the national credit office (margin and cash department) disclosed that a substantial number of accounts were unsecured at June 30, 1969. At June 30, 1969, unsecured accounts were reported as $1,411,368 in debits and $2,117,213 in short market value. Details from which these totals were compiled for June 30, 1969 were not available for our inspection. Apparently the details were lost or misplaced during the recent move of this office to its present location. A test was prepared to determine if certain unsecured accounts were listed on the July 31, 1969 details. The following accounts were unsecured at June 30, 1969 and also at July 31, 1969, and did not appear on the July 31, 1969 unsecured accounts detail listing. We were told by the clerks that since these amounts were not included on the July 31, 1969, details, then the accounts were also not included on the June 30, 1969 details.

| Account Number | Amount |
|---|---|
| 415-6167 | $26,055 |
| 415-9194 | 19,505 |
| 523-3575 | 12,785 |
| 846-0968 | 23,710 |
| Total | $82,055 |

The following account appeared on the July 31, 1969 invalid account detail, but was not included as unsecured on the July 31, 1969 listing. We were informed that this account was unsecured on June 30, 1969 and did not appear on the listing at that date.

| Account # | Amount |
|---|---|
| 360-4324 | $177,288 |

It was apparent that the clerks and supervisors were not utilizing the information furnished them by the computer runs. There appeared to be a lack of follow through on old undelivered or uncollected items resulting in a very substantial number of unsecured accounts.

A review was made of institution accounts and it was ascertained that deliveries against payment were not being made on a timely basis. Extentions of time were not being requested when required in accordance with Regulation "T" of the Federal Reserve Board.

Mr. Salvator V. DeLuca, national credit manager, was advised of this and stated that the necessary steps would be taken to correct this situation.

Listed below are claims for cash dividends, stock-dividends and overdeliveries to banks and institutions. These claims had not been satisfied at August 31, 1969 and were open at June 30, 1969.

| Account Number | Payable Date | Short Market Value | Cash Dividend |
|---|---|---|---|
| [illegible]7 | 4-[illegible] | $[illegible] | $ 225 |
| 385-0347 | 5-29-1969 | 315,000 | -- |
| 385-0347 | 4-9-1968 | 91,000 | 6,125 |
| 385-0734 | 3-14-1969 | -- | 1,045 |
| 385-0713 | 12-2-1968 | -- | 4,150 |
| 386,3921 | 1-26-1968 | 123,000 | 9,300 |
| | Totals | $[illegible] | $[illegible] |

There were approximately 6,000 "no-name" customers' statements at June 30, 1969. Approximately 3,000 statements were adjusted during July, however, approximately 3,000 new "no-name" statements were generated during July. A test of accounts with debit balances of $5,000 or more as of June 30, 1969 revealed that thirteen (13) accounts totaling $207,838 in unsecured debit balances were unadjusted from May 30, 1969 through August 28, 1969. Three (3) other accounts had a short market value of $220,200. We informed Mr. Samuel Gay, a general partner, of this situation and he informed us that this area would be researched.

An inspection of a limited number of non-purpose loan accounts revealed that the files did not contain the non-purpose loan agreement for account number 830-6291 in the name of Mr. Arnold Bornstein. The account was transferred from Hirsch & Co. in February 1966 and the debit balance at June 27, 1969 was $1,281,098.07. This account had sufficient equity and was fully secured. We were advised by Mr. Harold A. Rousselot, a general partner, that the customer would be contacted and that the non-purpose loan agreement would be obtained.

During the review of the non-purpose loan accounts it was ascertained that account 830-[illegible] in the name of Mr. Frederick L. Schuster and account 830-8602 in the name of Mrs. Harriet Schuster apparently contained controlled stock. Details of these accounts follows:

| ount ber | Customer's Name | Collateral | Market Value | Debit Balance |
|---|---|---|---|---|
| -8601 | Frederick L. Schuster | 7,500 shs. Cavitron Corp. | $172,500 | $71,267.39 |
| -8602 | Harriet Schuster | 9,400 " " " | 216,200 | $175,528.93 |

Mr. Frederick L. Schuster is chairman of the board of Cavitron Corp. and in accordance with the correspondence in the files, owns in excess of 10% of the outstanding common stock of this corporation. Mr. Llewellyn P. Young, a general partner stated that the firm considers these securities to be "control stock" and therefore not readily marketable. These accounts are classified as "commodity collateral accounts" and are intended to secure Mr. Schuster's commodity account. The commodity account at June 30, 1969 had a unsecured debit balance of $103,024.57, which was charged in the capital computation at June 30, 1969. However, the debit balances in the non-purpose loan accounts have not been charged in the capital computation.

Mr. Young informed us that this problem would be reviewed and that he would endeavor to correct this situation in the very near future.

Review of the dividend records disclosed that at least one million dollars of non-current cash dividends receivable were reported as "current" in the answers to the special questionnaire (see exception 4 & 5 to answers earlier in this report.) It appears that the reasons for this are many.

1. The amount of detail to be analyzed is substantial. There are about 200 general ledger accounts involved.

2. The balances in these accounts at June 30, 1969 had increased substantially from those as of February 28, 1969 (the date of the previous special questionnaire). A comparison of these balances is as follows:

| | Accounts With Debit Balances | Accounts With Credit Balances |
|---|---|---|
| February 28 | $3,[illegible] | $2,[illegible] |
| June 30 | 7,893,000 | 4,574,780 |

3. For many of the accounts, there appears to be no current analysis or reconciliation. Thus if an account had a credit balance, it was not included in the computation of non-current dividends receivable, yet the balance in some cases was a "net" balance.

4. The responsibility for these accounts was split between the accounting department and the dividend department. Communication between the departments appeared to be lacking.

As a result of the above and without a detailed audit or reconciliation of all accounts, the aging of these accounts remains obsure.

The firm uses a bulk segregation system, maintaining three segregation positions on its stock record as follows:

Box 251 Active Segregation
Box 256 Bulk Segregation (5,000 share blocks)
Box 261 C.C.S. Segregation

On July 31, test counts were made of 24 securities in segregation for Box 251 and 256 as of the close of business on July 30. The CCS position for the same date was confirmed. The counts disclosed no differences for "Bulk Seg.", one difference for "CCS Seg." and 19 differences for "Active Seg." Firm personnel researched these differences and prepared the necessary adjustments the same day.

One week later, recounts were made of 22 of the same securities but these recounts were extended to include the active box (box 31), poor delivery unendorsed (box 141), firm transfer (box 181), and poor delivery legal (box 194). The firm considers all of these except active box as additional segregation locations. In some cases, such as transfer, "units" were tabulated to prove stock record positions as the securities were out of the office. The results of these counts follow:

| Position | Number of Differences |
|---|---|
| Box 31 - Active box | 18 |
| Box 141 - Poor delivery unendorsed | 2 |
| Box 181 - Firm transfer | 19 |
| Box 194 - Poor delivery legal | 7 |
| Box 251 - Active seg. | 14 |
| Box 256 - Bulk seg. | -o- |
| Box 261 - C.C.S. seg. | -o- |

Review of the stock record also disclosed numerous invalid positions (i.e. - long positions for stock location which should be short positions).

Also relative to the stock record, the firm made a complete security count on a cycle basis with the following results.

| Date | Items Counted | Total Differences | Unresolved as of 9/15 |
|---|---|---|---|
| 4/12 | Stock - A-C | 2,354 | 1,023 |
| 5/3 | " D-S | 6,597 | 1,555 |
| 6/14 | " T-Z | 1,464 | 668 |
| 7/12 | Bonds | 2,422 | 1,106 |
| | Total | 12,837 | 4,357 |

Upon request, the A to C differences remaining as of August 5 were priced and the results were as follows:

| | |
|---|---|
| Market value long differences | $4,567,837 |
| " " short " | 4,663,529 |

We were advised, however, that daily stock record breaks are promptly researched and adjusted.

Relative to Rule 430, Mr. William R. Humphreys, a limited partner, stated that while it is firm policy to make partial deliveries on C.O.D. transactions, arrangements for such deliveries are not usually made until after settlement date.

A test of order tickets at the 57 Broad Street office disclosed that order tickets are not marked as to the status of the stock for sales of customers whose accounts are not "long" the stock being sold as required by Rule 433. Mr. F. Snare, of the compliance department, stated that a memo has recently been sent to all account executives with instructions on marking orders. In addition, a test of rule compliance is now part of the firm's normal compliance visits.

Review of the records disclosed the existence of account 870-0205 called "exchange account". This account at June 30, 1969 had a credit balance of $97,884 and had 945 long stock positions and 823 short positions. However, since the account had not been currently reconciled or valued, the exact status of these items was unknown.

Mr. Arthur W. Bissell, manager of accounting, stated that he had revised the accounting for exchanges and had a "task force" of employees working to reconcile the account.

The answers to the special operations questionnaire as of June 30, 1969 were reviewed and the following observations are made as a result.

1. Question 12(c) - Dividend accounts non-current:

The answer indicated a debit balance of $539,962 and short market value of $1,989,981. The accuracy of these figures has already been discussed earlier in this report.

2. Question 8 - Approximate number of customer's complaints last month.

The response indicated 128 complaints. A footnote indicated that this was based on "written notifications received in the main office from our customers". Complaints received from sales personnel are not included as it is not known if they originated from customers or from firm personnel.

Relative to this statement, however, it was noted that this information came from the "central error control" section. Review of this section disclosed that at July 3, 1969, there was an "inventory" of 5517 errors being researched. Of this total, 3134 originated in June. It is not known how many originated from customers at the brahch level.

3. Question 11(b) - Reports "dollar difference unresolved" for bank reconciliations as $66,000.

In connection therewith, however, on inter-office memo of July 14 indicated that there were 1236 reconciling items of which $6,987,415 are classed as debit items and $12,169,824 are classed as credit items. This means that these items had been identified but the necessary adjustments had not been made or corrective action had not been taken. The $66,000 reported on the special operations questionnaire represents the amount of unidentified differences relative to bank accounts.

A review of the detail of the 1236 items revealed that a substantial number (about 500) are from dates prior to January 1969. It was not practical to attempt to determine the effect on capital if all corrections were made.

A review of open fails and the monthly fail report (form MF-6) for June 30, 1969 disclosed that the total fails per the monthly fail report did not agree with the total fails per the special questionnaire. Comparison of the figures follows:

| | Fails To Deliver | Fails To Receive |
|---|---|---|
| Per Questionnaire | $80,571,000 | $79,591,000 |
| Per MF-6 | 38,472,000 | 49,750,000 |
| Difference | $42,099,000 | $29,841,000 |

We were advised that the difference represents "Fails" on government bond transactions, which are considered to be "principal" trades and therefore are customer accounts rather than "Fails" when preparing the MF-6.

The internal audit department is managed by Mr. Phillip Caizza and reports to Mr. Edwin B. Peterson, a general partner. Mr. Caizza stated that the internal audit department consists of twelve (12) auditors, comprised of two groups.

Group A.) Divisional - individuals are assigned and work within the various departments, formulating internal control procedures.

Group B.) Administrative - the duties of this group are as follows:

1. Confirm bank loans monthly.

2. Send fail to receive and fail to deliver notices monthly.

3. Receive and log in fail to deliver notices from other brokers. These notices are then routed to a "fail control" unit for ultimate disposition.

4. A program is being developed for the dividend area with concentration on [illegible] positions.

Presently, the internal audit department is not responsible for bank reconciliations. There is a separate bank reconciliation department.

The contents of this report were reviewed on September 16, 1969, with Mr. Edmond du Pont, Mr. Edwin B. Peterson, Mr. Milton A. Speicher, Mr. Gough W. Thompson, Jr.,

Mr. Alfred J. Rauschman, and Mr. Samuel Gay, all general partners and Mr. Arthur W. Bissell, manager of accounting.

At this time, Mr. M. Speicher stated that the firm had no material liabilities, actual, contractual or contingent, not recorded on the books of account, other than those reported weekly on the MF-3 report and those contingent items reported in question 15 relating to the cost of pending lawsuits, drafts deposited for immediate credit and repurchase agreements.

Mr. Speicher also stated that the firm and its partners were borrowing cash and securities for capital purposes as described in the questionnaire at June 30, 1969. New borrowings subsequent to that date have been promptly reported to the Exchange for approval.

A. R. McElroy - Examiner

D. Steinberg - Examiner

A. J. Berk - Examiner

J. P. Parker - Examiner

R. W. Lee - Examiner

mbt
AJW

942a

number omitted

Pl. Ex. 137 pp, 943a-
p. 943a

PLF. | DEF. | EX #
DATE 5-17-74
Ass'n Reporting Service

November 12, 1969

Francis I. du Pont & Co.
One Wall Street
New York, New York 10005

Attention: Mr. Milton A. Speicher

Gentlemen:

We have enclosed for your information and review a copy of the visit report prepared by our examiners, under date of September 30, 1969.

Concerning the items mentioned on the first three pages, as well as the summary thereof on page seven and eight, having to do with the computation of the firm's capital position as of June 30, 1969, we trust the examiners discussed the various treatments to your satisfaction. We presume these have or will be reviewed with your personnel and subsequently taken into account in future computations by the firm. Naturally, should you have any questions, please do not hesitate to contact us.

As set forth on page four of the report, the computation as of June 30, 1969, adjusted in connection with the above referred to exceptions, discloses a capital position as follows:

| | |
|---|---|
| Aggregate Indebtedness | $441,739,866 |
| Net Capital | 19,230,297 |
| Ratio | 2293% |
| Commitments | 189,497,000 |

Based on the above aggregate indebtedness, you were required to maintain minimum net capital of $22,036,993 under the provisions of Rule 325 of the Board of Governors of the Exchange. This would result in a capital deficiency of

PLF. | DEF. | EX # 137
WIT.
DATE

$2,356,696. A further capital position prepared by the firm and again adjusted by the Exchange examiners for unsecured customer's account and non-current dividends (page five) indicates the firm to still be in capital deficiency as of July 30, 1969 to the extent of $1,534,598. We have noted the explanation as set forth on page six of the report regarding these capital deficiencies and such explanation will be made a part of the report which may be submitted to the Advisory Committee of the Board of Governors for its consideration. Should there be any additional comments you wish to make at this time, we would appreciate receiving same within the next ten days. Also noted on the same page are the steps taken by the firm to correct the deficiencies. However, we would be interested in learning the earliest capital position - and the date thereof - computed in keeping with the adjustment noted earlier, which shows the firm in compliance with capital requirements.

Would you be good enough to furnish us with the capital position as of August 31, 1969, which was not available at the time of the visit as well as furnishing us until further notice with a weekly capital computation. of the firm. These computations should include the net worth, aggregate indebtedness, net capital, capital ratio and the market value of proprietary securities. In addition, we ask that you agree to maintain net capital of at least $25,000 in excess of the minimum requirement or an amount which will provide a ratio of aggregate indebtedness to net capital of not more than 1500%, whichever is the greater dollar cushion.

Turning our attention to the remaining aspects of the visit report, note is made on page five of unreconciled ledger accounts for dividends and exchanges, as well as substantial amounts of reconciling items relative to bank accounts and the Chicago branch inter-office account, which had not been made or were not on a current basis. Please advise us of the present status of these areas. At the same time, we would be interested in learning the result of your review and subsequent corrective actions in connection with the following:

(1) The comments on pages eight and nine concerning the examiners' review of the records of the National Credit Office, which disclosed that a substantial number of accounts were unsecured at June 30, 1969.

(2) The comments on pages eleven and twelve regarding the reporting of at least one million dollars of non-current dividends receivable as "current" in the answers to the special questionnaire.

(3) The apparent lack of control and supervision in maintaining the firm's bulk segregation system, as well as the numerous invalid positions disclosed from the review of the stock record, as mentioned on pages twelve and thirteen of the report. Please also advise us of the status of the firm's progress in reconciling the differences noted in both areas, together with those noted from the cycle count of securities.

On Page ten there is listed claims for cash dividends, stock dividends and over-deliveries to banks and institutions, which had not been satisfied at August 31st and were open at June 30th. Would you be good enough to give us the current status of these claims, as well as the results of Mr. Samuel Gay's review.

It is our understanding (from page fourteen) that a "task force" of employees were to work on the reconciliation of the so-called "Exchange account" which had a credit balance of $97,334.00, 945 stock long positions and 823 short positions. We would appreciate your advice as to the present status of this account and whether such is now being reconciled on a current basis.

With respect to the firm's response to the Special Operations Questionnaire, comment has been made on page fifteen regarding Question 11(b) - reports of "dollar difference unresolved" for bank reconciliations, as $66,000. However, review indicated there were 1,236 reconciling items of which $6,937,415 are classed as debit items and $12,169,824 as credit items. May we have the firm's progress made toward recording these items.

Certain areas of the report have also been referred to our Division of Margins and they undoubtedly will be corresponding with you directly with respect thereto.

The examiners' report is based on a general review of your books and records as well as discussions with the firm's personnel. If in your review you note any point of information or comment that does not appear factual, please let us know. In addition, we invite any other comments you may have regarding the report.

Thank you for your cooperation.

Very truly yours,

Robert A. Spies
Manager

RASpies:at

Pl. Ex. 140
pp. 947a -948a

p. 947a

PIF. DEFS. Ehret EX. 56 IDENT. / FOR ID. DATE 5-17-74 ... Reporting Service

FRANCIS I. duPONT & CO.
MEMBERS NEW YORK STOCK EXCHANGE

ONE WALL STREET, NEW YORK, N.Y. 10005
TELEPHONE: (212) 344-2000

November 26, 1969

New York Stock Exchange
Department of Member Firms
Division of Finance
4 New York Plaza
New York, New York 10004

RECEIVED
NOV 28 1969
R. S.
MEMBER FIRMS

Attention: Mr. Robert A. Spies

Gentlemen:

We acknowledge receipt of your letter dated November 12, 1969.

As you are aware we are in the final phase of preparing the answers to our Audited Questionnaire dated September 28, 1969 and feel that some of the questions raised in your letter will be answered at the time of filing. However, there are a number of points which were raised in your letter which can be completed at this time.

As per your request on Page 2, our capital position at August 31, 1969, which have been computed in keeping with the adjustments you have noted, are as follows:

| | |
|---|---|
| Net Capital | $ 19,390,163 |
| Net Worth | $ 59,121,312 |
| Aggregate Indebtedness | $377,439,528 |
| Capital Ratio | 1946% |
| Market Value of Proprietary Securities: | |
| Long | $128,796,000 |
| Short | $ 74,862,000 |

19,390,163
18871976
518187

As per your request we will send our Capital Computation as of November 21, 1969 to your attention sometime this week and will continue to send such computation on a weekly basis.

In answer to your inquiry on Page 3 regarding $814.00 in security claims and $21,445 in cash claims from banks and institutions due to overdelivery, please be advised that all of the security positions have been cleaned up by a receipt of securities from the various accounts mentioned on Page 10 of your report. Approximately $10,000 of the $21,445 has been received and we still have outstanding claims on the remainder.

140
WIT. ... FOR ID
DATE

In answer to your inquiry on Page 3 regarding our efforts to reconcile our "Exchange Account", be advised that we are pleased with our continuing efforts along these lines and the status at November 19 shows a debit balance of $1,357.17 and a 514 stock long position and 180 short positions. We feel that further significant progress will be made in this direction. We also feel, and our auditors agree, that our present procedure on new items is adequately controlled and is being reconciled currently.

With respect to your question on Page 3 regarding "dollar differences unresolved" in bank reconciliations, please be advised that there are remaining in the period prior to June 30th 485 reconciling items of which $3,147,033 are classified as debit items and $3,143,938 as credit items. In order to clarify these figures it might be informative to mention that approximately 300 of the reconciling items totaling approximately $5,000,000 are in three accounts and we are making special efforts toward the reduction of these items.

If there are any questions on the above, feel free to contact the writer of this letter. We will be in further contact with you on the points covered in your letter which are not being answered in this instance.

Sincerely yours,

FRANCIS I. duPONT & CO.

Samuel A. Gay

Samuel A. Gay
Office of the Managing Partner

SAG:ek

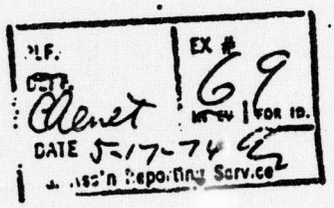
G 69

Bl. Ex. 150 pp. 949a-952a
p. 949a

FRANCIS I. duPONT & CO.
MEMBERS NEW YORK STOCK EXCHANGE

ONE WALL STREET, NEW YORK, N.Y. 10005
TELEPHONE: (212) 344-2000

January 8, 1970




Mr. Robert M. Bishop, Vice President, Director
Department of Member Firms
New York Stock Exchange
Four New York Plaza
New York, New York 10004

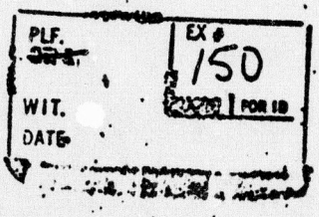
Dear Mr. Bishop:

In response to your letter of December 17, 1969, we are writing to report to you Francis I. duPont & Co.'s specific plans to bring our firm's capital ratio to below 1,500% as soon as possible.

First, I informed you by telephone on December 24, 1969, that Francis I. duPont & Co. was in full compliance with New York Stock Exchange Rule 325, including all charges of which we have been informed by you. In addition, our capital computations since that date have shown we continue to be in compliance with Rule 325.

Second, Mr. Samuel Gay, Managing Partner in Charge of Operations, met with Mr. Paul Chenet, Coordinator, the New York Stock Exchange, on December 29, 1969, to discuss paragraph four of your letter to me as to what steps we would be taking in reducing operations' capital charges and what reporting procedures we would follow to keep the New York Stock Exchange informed as to progress in reducing charges. Mr. Gay reports that Mr. Chenet and he agreed to the following procedure:

Mr. Gay and Mr. Chenet would have two discussions per month, one by telephone and one in person, to review progress in the following areas:




Customer Accounts
Dividend Accounts
Fail Accounts
Security Count Differences

The telephone discussion would bring Mr. Chenet up to date

as to general progress being made in these four areas. The meeting would be of a more specific nature, wherein actual figures would be posted on a report which would be kept by Mr. Chenet. The basic approach agreed to was that problems in customer accounts, fail accounts and security count differences would be fully identified by March 31, 1970. In relationship to dividend accounts, the date agreed upon was June 30, 1970. Finally, Mr. Gay agreed that Francis I. duPont & Co. would make sustained progress in all four areas over the three to six-month timetable outlined above.

Third, we are expecting net capital totaling approximately $2,100,000 to be added by March 31, 1970. We have received notice of withdrawal of $120,000 of net capital as of that date. For the second quarter of 1970, we have in prospect several million dollars of capital additions. The only other notices of withdrawals we have received are $70,000 for May 1, 1970, and $750,000 for July 1, 1970.

Fourth, we are in the process of finalizing our 1970 budget figures. Based on present available information, our breakeven point is 12-million shares of New York Stock Exchange volume per day. We intend to make further expense reductions so that our breakeven point will be 11-million shares of New York Stock Exchange volume per day.

We understand the New York Stock Exchange is forecasting a New York Stock Exchange volume range of 11-14 million shares per day for the year with an overall forecast of 13-million shares per day. If this forecast is reasonably accurate we do not expect to have a further drain on capital caused by P & L losses.

Fifth, having sustained a substantial loss in 1969, and planning to file early returns with the Internal Revenue Service, we expect to regain approximately $3,000,000 in tax refunds from the Federal Government at the end of the first half of 1970, or early in the second half of the year.

Sixth, we have already reduced capital charges on proprietary accounts to a minimum consistent with servicing our customers. We intend to reduce our Government Bond Department operation to a "stand-by" basis. This step will substantially reduce our exposure to trading losses during a difficult period.

Seventh, our aggregate indebtedness, which during the last two months has been in the $360-million area, can, in our opinion, be reduced by at least $50-million. We have already taken vigorous

steps in this direction and expect to reduce our capital requirements by this action approximately $2,500,000 by June 30, 1970, or earlier.

Eighth, we would like to report that we have closed nine offices in the last half of 1969 and will close and merge with other branches near by five offices this month. Another six offices are under consideration for closing, consolidations or sale during the next six months.

To sum up, this means that Francis I. duPont & Co. will have reduced its number of branch offices from 113 to 93, a reduction of 20 offices, by June 30, 1970. In addition we are not contemplating opening any additional offices, but if an opportunity does arise to open a desirable branch, we would most certainly discuss this possibility with you before decisions were finalized.

In summary, the programs outlined above would improve our capital position over the next six months as follows:

1. $4,000,000 - $5,000,000 from reductions of operations' charges.
2. $2,100,000 - $4,200,000 from net inflow of capital.
3. $2,500,000 from a reduction in aggregate indebtedness.
4. $3,000,000 from tax refunds.

The sum of these items makes it more than possible for Francis I. duPont & Co. to reach and maintain a 1,500% ratio by June 30, 1970.

We know you are as conscious as we are that our business is extremely volatile and that increases and decreases in market prices and/or market activity can affect values of securities used as capital and also aggregate indebtedness with very little time to make adjustments. Certainly this happened to us and the rest of the industry in 1969. These factors make precise forecasts impractical. We would like to assure you that we will be alert to such possible changes and plan to make our march below 1,500% as orderly as possible..

We wish to assure you that the Partners of Francis I.

L. duPont & Co. appreciate the advice and cooperation you and your staff have rendered our firm during this difficult period.

Sincerely yours,

Wallace C. Latour
Senior Managing Partner

WCL/bw

Francis I. DuPont & Co

Special G (119)

Page 1 of 3

January 30, 1970

| | | | |
|---|---|---|---|
| A | | 2,612,000 | |
| NC | | 1,584,300 | |
| R | | 1,933% | |
| C | 30% | 963,000 | |
| | 15 | 330,000 | |
| | 10 | 3,797,000 | |
| | 7½ | 550,000 | |
| | 5 | 396,000 | |
| | 4 | 356,000 | |
| | 3 | 1,012,000 | |
| | 2½ | 534,000 | |
| | 2 | 619,000 | |
| | 1½ | 696,000 | |
| | 1 | 1,239,000 | |
| | 0 | 5,484,000 | 19,576,000 * |

| | |
|---|---|
| NET WORTH | 56,[illegible] |
| NET C.A. | 32,[illegible] |
| REQ. | 15,[illegible] |
| EX. NET C. | 5,[illegible] |
| RATIO | 4½ to 1 |
| NON EX. TO | [illegible] |
| EX. NET C | [illegible] |

EX #159

P.L.F. DEP. Client DATE 1-7-74 Ass'n Reporting Service

EX #91 Index | Dep. ID.

4/8/70 Paul Chenet advised amended ans. should be rec. within 7-10 days. W

Direct securities capital differences of $9,967,748 were not deducted in the above capital position. If these values were deducted, the capital position would be as follows:

| | | |
|---|---|---|
| NC | 5,941,000 | |
| R | 5153% | |

* Does not include exempt securities-market value $3,239,000 and non-exempt securities-market value $27,153,282 as the ranging capital charges. Notes in lieu included $35,785,660 which are also not as a capital credit of CMD of $1,653,845 are not.

firm owns not CMD is chg. J.P.V.

claim arrangements have been documented however paperwork unprocessed. J.P.V.

No comment pending audit W

6% Subordinated Debentures - Principal [illegible]

III (c)(1)(i) [illegible]

III (c)(1)(ii) $1,317,385 [illegible] $17,385 [illegible]

14% [illegible]

Bancroft Midland Co (cont.) Audited

January 30, 1970 Page 2-73

III (c)(3) Cash required - gross margin $633,716

Note - Answers were due 2/15/70 on extension;
Received 3/16/70

G3(a)(5) Bank overdraft - Credit $1,537,604 included in
item should be stated that they should not
operate any bank accounts in an overdraft
status.

G16(a)(i)(f) - Schedule 7 - Market value of $673,370 were
reported as subject to 15% (or less) charge.
Included therein were non-exempt (non-hair)
securities, as well as exempt items stated at 85%
(or less) which were considered to be in default
as to interest payments and were appropriately
to 30% charge as follows: Per Statute

| | | Charge |
|---|---|---|
| Exempt securities | $174,684 | 10% or less |
| Exempt securities - considered in default | 909,010 | 30% |
| Non-exempt securities | 29,576 | 30% |
| Total | $673,370 | |

No Comment
Answered in
Amendment dated 6/30/69 SFQ

II (5)(i)(d) Unsecured notes - general partners contributed
as capital in lieu of cash. Debit $615,080 deducted

G11(b)(3) Subordinated Loans - Debit $1,160,624.
It is noted that trading and investment accounts
were not marked to market and contain
additional losses (at market) of $4,731,660.

Noted
J.P.V.

Q13 Dividends receivable were treated as follows:

| | Debit | Credit | |
|---|---|---|---|
| Current (less than 30 days) | $553,924 | $175,583 | Allowed |
| Other | 347,332 | 198,214 | Disallowed |

Proper treatment
J.P.V.

Answered in
Amendment
6/9/70 SFQ
J.P.V.

G13 Investments - Treasury notes and others -
Debit $61,223 not deducted. No statements
submitted. Respondent should be advised to submit
details in response to future questionnaires.

Francis I. DuPont & Co. (Cont) Special Q

January 30, 1970 Continue mailing reports to Dec. 31, 1973

Q16(a) Lausanne - Le Château in prin. and to I.P.V.

Similarly in connection with 6/30/69 SEC I.V. (b) Contingent liability for funds deposited as immediate credit $5,318 21 included in Q.

(c) Principal banks advised requirement - 7½% included as firm commitment. No details. Respondent advised to report final items in Q34 and 35 per general instruction #12 of the Questionnaire.

X Answers were received for Francis I. DuPont & Co. SA. Lausanne as of December 31, 1969, marked preliminary. As these are analyzed, and the critical portion, as that date, is as follows:

| | | |
|---|---|---|
| A/L | P 33,000 | |
| NC | 9,000 | (no min. Cap. Req't.) |
| R | 36.7% | |

Answers requested as of 12/31/70 have not been received.

AJW 4/6/70

PLF. DEF. WIT. DATE 6-24-74 EX # 301 IDEN | FOR ID
BAR ASS'N. REPORTING SERVICE



NEW YORK STOCK EXCHANGE
ELEVEN WALL STREET
NEW YORK, N. Y. 10005

LEE D. ARNING
VICE PRESIDENT

August 4, 1970

Mr. Edward Lill
Haskins & Sells
2 Broadway
New York, New York 10004

Dear Ed:

I understand that F.I. duPont-Glore Forgan & Company has advised you that the consulting services of Haskins & Sells are to be employed to render a report to the New York Stock Exchange and to the firm's management relating to the overall status of the firm's Operations sections. You are aware that Samuel Gay, former partner, left the firm in July, and we are particularly interested in your assessment of the ability of the present head of Operations, his supporting assistants and principal aides.

The prime effort of your consulting services should be directed toward identifying any problem areas that exist in the firm's Operations sections. In this connection, we would like your comments on the organization of the department, its management and, while early in terms of the merged firm, its ability to process daily work and maintain current and accurate records.

We have called to the attention of the firm our concern as to some of the areas that require heavy concentration for record clean-up and adjustment. While it is my understanding that some effort has been started on this, we would appreciate your detailed analysis of the areas that are involved, as well as some indication in time as to when satisfactory levels of accomplishment can be achieved.

Lastly, we would need your opinion on the ability of the present senior Operations staff to handle the work load and operational problems that can be expected for a firm of this size. Any recommendations that you might have for changes in procedures or

PLF. DEF. WIT. DATE EX # 232 IDEN | FOR ID

personnel should be indicated, as well as your formal opinion of the operational capacity of the firm. In that connection, I think it would be important to measure this ability, not on the basis of present volume levels, but arbitrarily those of 14,000 shares per day. Your reports, which should not be less than on a weekly summary basis prior to your final recommendations, should be directed to the undersigned and to Mr. Wallace C. Latour, the Managing Partner.

Sincerely,

Lee D. Fleming

LDA:mf

J. C

# COPY

PLF. DEF. EX # 305 WIT. DATE 6-24-70 BAR ASS'N. REPORTING SERVICE

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

Pl. Ex. 235 pp. 955a-956a
p. 955a

TWO BROADWAY
NEW YORK 10004

June 26, 1970

Messrs. Guggenheimer & Untermyer,
Eighty Pine Street,
New York, New York 10005.

Attention of Mr. Edward First

Dear Sirs:

It is our understanding that, in connection with the Francis I. duPont & Co. acquisition of Hirsch & Co., Haskins & Sells will perform the following as of July 2, 1970:

1. Count all securities held by Hirsch in box and segregation locations and agree such counts to the Hirsch stock record.

2. Observe and control the microfilming of the securities counted.

3. Agree detail file of securities in transfer to the Hirsch stock record. Confirmation requests will not be sent with respect to such securities.

4. Obtain a copy of the Hirsch & Co. statement of financial condition and related detail schedule of liabilities included therein, both of which will have been prepared by Hirsch & Co., and;

   a. Review such statement and schedule for reasonableness,

   b. Compare such statement of condition as of July 2, 1970 to the statement of condition as of April 30, 1970 upon which Haskins & Sells rendered their opinion dated June 10, 1970,

PLF. EX # 235 WIT. DATE

COPY

Messrs. Guggenheimer & Untermyer June 26, 1970
956a

c. Discuss material variations noted in such comparison, particularly those relating to net worth accounts, with the Hirsch & Co. officers knowledgeable in accounting matters to obtain explanations for such variations,

d. Compare the Hirsch & Co. detail schedule of liabilities as of July 7, 1970 to similar information contained in the Haskins & Sells' audit working papers as of April 26, 1970,

e. Discuss material variations noted in such comparison with the Hirsch & Co. officers knowledgeable in accounting matters to obtain explanations for such variations.

5. Render a letter report stating the procedures performed and, based upon such procedures and the audit performed as of April 26, 1970, the net worth shown on the Hirsch & Co. statement of financial condition as of July 7, 1970 is fairly stated and the reserves provided for therein are on a basis consistent with past practices.

This letter supersedes our previous letters dated June 24, and June 26, 1970, each containing six items, relating to this matter.

Yours very truly,

(Signed) Haskins & Sells

C/C-Mr. S. Stewart,
Carter, Ledyard & Milburn.
-Mr. M. S. Mundheim,
Hirsch & Co.
B/C-Mr. F. Gariboldi,
Hirsch & Co.
-Mr. H. V. Petrillo

PLAINTIFF

AICPA

American Institute of Certified Public Accountants

Pl.Ex. 263 pp. 957a-961a
P. 957a

263

INDUSTRY AUDIT GUIDE

# AUDITS OF BROKERS AND DEALERS IN SECURITIES

PREPARED BY THE COMMITTEE ON STOCKBROKERAGE AUDITING

AU
BR
AN
DE
SE
PREPARED
STOCKBR

## NOTICE TO READERS

This audit guide is published for the guidance of members of the Institute in examining and reporting on financial statements of securities brokers and dealers. It represents the considered opinion of the Committee on Stockbrokerage Auditing (formerly known as the Committee on Stockbrokerage Accounting and Auditing), and as such contains the best thought of the profession as to the best practices in the industry. Members should be aware that they may be called upon to justify departures from the Committee's recommendations.

Committee on Stockbrokerage Auditing (1972-73)

EDWIN P. FISHER, *Chairman*
J. RICHARD BECK
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# AUDITS OF BROKERS AND DEALERS IN SECURITIES

PREPARED BY THE COMMITTEE ON STOCKBROKERAGE AUDITING

American Institute of Certified Public Accountants
666 Fifth Avenue, New York, N.Y. 10019

change members, brokers and dealers to file concurrently with the report filed pursuant to Rule 17a-5, a supplemental report, in letter form, addressed to the Commission, covering the SIPC annual general assessment reconciliation or exclusion from membership forms, not previously reported on under this subparagraph (b)(4). Attached to this supplemental report shall be an independent public accountant's report which shall state that in his opinion either the assessments were determined fairly in accordance with applicable instructions and forms, or that a claim for exclusion from membership was consistent with income reported. However, if his examination did not provide the basis for issuing such a report, the accountant shall state the extent of his review. Such review shall include as a minimum, certain procedures as detailed in the amendment.

## Reporting

The independent public accountant's report covering the Answers to Financial Questionnaire must meet specified Securities and Exchange Commission and stock exchange requirements (see Exhibit A). Reports on statements of financial condition and related statements of income follow the standard short form (see Exhibits D and J), as does the report when reporting only on the statement of financial condition (Exhibit P).

There may be situations where it is appropriate for the independent public accountant to qualify or disclaim an opinion. Particularly troublesome areas include material amounts of unresolved security differences, suspense accounts, unverified transfer items and unverified dividends receivable. Situations may also be encountered where operational conditions and the status of the records are such that it would be inappropriate to report on financial statements prepared on a "going concern" basis.

A violation of the applicable net capital rules as of the audit date requires footnote disclosure and may require the independent public accountant to qualify his opinion because of "going concern" considerations. However, there may be situations in which the capital deficiency is corrected prior to the issuance of the independent public accountant's report. In these circumstances footnote disclosure may be adequate.